March 11, 1999

MEMORANDUM FOR JOHN PODESTA
DOUG SOSNIK
STEVE RICCHETTI
MARIA ECHAVESTE
KAREN TRAMONTANO

FROM: GENE SPERLING

SUBJECT: NEC's Long-Term Policy Announcements and Message Ideas

Per your request, we have structured this memorandum in the following manner, listing numerous policy announcements and message ideas for the President and Vice President:

- Strategic Plans
    * Saving Social Security and Strengthening Medicare
    * Promoting Greater Economic Opportunity
    * Building a New Consensus on International Trade
    * Reforming the International Financial Architecture
- Upcoming Challenges Requiring Administration Response
    * Timing
    * Responses
    * Presidential Action
- Executive and Other Non-Legislative Actions

STRATEGIC PLANS

I. Saving Social Security and Strengthening Medicare. Continuing to create an environment in which the President's Social Security and Medicare reform proposals can be enacted this year

A. ***Specific Agenda Items***

Announcing Details of the President's USA Accounts Proposal. We are announcing shortly the details of the President's USA accounts proposal. As part of this announcement, we will conduct a number of rollout activities on the Hill, with the press, and with groups. *Timing: March 18*

Continuing Legislative Process on Our Social Security and Medicare Framework. In the near term, we will be working closely with the Democrats on amendment strategies focused on Medicare vs. tax cuts. We will work longer term on a possible new configuration of our budget to unify Democrats.

Create a Process for Bipartisan Negotiations. Depending on several factors, such as the unfolding of the budget process and the temperature on the Hill, we could pursue creating an environment in which a negotiation process could begin on the Hill.

B. ***Possible Presidential Actions***

Release the Social Security Trustees Report on March 30. The 1998 Trustees report will show that our strong economy has helped improve Social Security's financial position. Last year, the report showed that economic growth had extended the life of the trust fund to 2032 -- three years beyond the previous year's report. Importantly, the report also highlights the long-term pressures facing the Social Security system and the need for reform. *Timing: March 30*

Reprise of Second Day of White House Conference on Social Security. We could do a reprise of the second day of the White House Conference on Social Security. Like the first conference, there could be two 1½ hour sessions, with bipartisan experts leading each. The day would close with a plenary meeting with the President. We would need at least ten days lead time in order to allow the presenters to think through what they would present. (We also want to discuss this further with Larry Stein.)

Release Further Details on Widow Poverty. In the coming weeks, we may be able to release further details on our anti-widow poverty initiative within our overall Social Security reform framework.

Medicare Commission. The Commission is trying to issue its report shortly. We are working on developing our overall strategy, which will depend upon the Commission's outcome.

C. ***Republican Agenda and Likely Response***

As of now, it appears that the Hill Republicans will continue to push their overall budget/tax outline in the weeks ahead. In addition, they are hitting hard on our Medicare agenda, as evidenced by Sen. Gramm's charge in the Senate Finance hearing on March 10 that the Administration is "irresponsible" for proposing funding without real reforms. (The Republicans want structural reform first, then funding.) We will continue to respond pressing our positive message on our Social Security and Medicare framework and by showing how their outline fails to extend Social Security solvency, does not address Medicare's solvency, and opts for a large tax cut targeted away from the middle class. Additionally, a related major decision is whether we propose our own overall Medicare plan, which would require a very significant rollout.

D. ***Timing and Strategy***

We will be unveiling the details of the USA Accounts on March 18, and will likely address Social Security and Medicare issues in other fora between now and the Easter recess, including through the release of the Social Security and Medicare Trustees Report on March 30. At the same time, hearings on both Social Security and Medicare will continue on the Hill (they have been held thus far in Senate Finance, Budget, and Aging and in House Ways & Means, Budget, and Commerce) in the weeks leading up to the Easter recess.

II. Promoting Greater Economic Opportunity. Promoting economic opportunity for all Americans by promoting development in underserved urban and rural communities, expanding worker training, increasing mentoring opportunities for pre-college students, and pressing for other initiatives for working families.

A. ***Specific Agenda Items***

New Markets Initiative Legislation. In the next 4-6 weeks, we will likely have the three bills drafted for the new markets initiative (tax, APICs, and New Markets Venture Capital Firms) which the President laid out in New York in January. The delivery of this legislation at an event with members who agree to sponsor the legislation would be a good chance to push our economic empowerment message and show growing support for the initiative. *Timing: April*

Workforce Legislation. Over the next two months, we will have legislation ready to send to the Hill on re-employment, literacy, and youth employment. This will provide another opportunity for a strong message event on these issues and will help our efforts on the

Hill to gain passage this year. *Timing: April-May*

B. *Possible Presidential Actions*

Four-Day Economic Development Mission. Using a typical foreign trip as a model, the President and Vice President could tour both rural and urban areas across the United States that would benefit from the new markets initiative and other economic development initiatives that the Administration has proposed. By focusing on this issue for a sustained period of three or four days, the President and Vice President could draw attention to the fact that the Administration believes we need to do more to bring economic growth to every part of the country. This will take a significant period of time to prepare for and to do correctly. *Timing: June-July*

Addressing the Skills Gap and Training American Workers for American Jobs. One recent survey found that over 60 percent of corporate leaders say that the number one barrier to sustained economic growth is the lack of skilled workforce. The President could meet with a number of CEOs to discuss the current skills gap and what needs to be done to close it. This could obviously highlight the Administration's budget initiatives addressing the problem, such as (1) the re-employment initiative, (2) the literacy initiative, and (3) the youth employment initiative. We could also challenge high-tech companies to make specific commitments to train more American workers, which the companies pledged to do during the debate on H1-B visas. They could provide more college scholarships for women and minorities, partner with community colleges to develop cutting-edge curricula, and encourage their employees to serve as telementors for middle school students to get them excited about math and science. They could also provide matching funds for our community technology centers -- which could help train inner-city youth for high-tech jobs. *Timing: April-July*

Making College Available to All Through the GEAR UP Mentoring Initiative. We need to hold an event where the President will make several announcements regarding GEAR UP, including: the Ford Foundation's partnership with the Administration to provide technical assistance to applicants and grantees, doubling of the Ford Foundation's funding to their own grantees, the creation of the High Hopes for College Leadership Group, the President's letter to all College Presidents urging them to participate, and the unveiling of the GEAR UP application package. He will also obviously push for his proposal to double funding for the GEAR UP mentoring program. *Timing: March-April*

Focus on the Minimum Wage. Obviously, this is an issue we want to coordinate closely with the Hill. However, given that Speaker Hastert opened the door slightly on the minimum wage recently, we may want to highlight the issue soon. One possibility would be to have the Labor Department write a short report on the impact of the 1996/1997 minimum wage increase on job growth, unemployment, and wages. *Timing: TBD*

C. *Republican Agenda and Likely Response*

The Republicans will have a limited training and economic development agenda. Nonetheless, there have been some indications that key Republicans may want to move on some of our legislation. For example, Rep. Goodling made some very positive statements about our entire workforce initiative on the day the President announced it in late January. We will continue to try to forge bipartisan support around as many of these initiatives as possible.

D. ***Timing and Strategy***

We would like to focus a great deal of attention on our worker training agenda and our community empowerment agenda over the next six months. In particular, though it will take a fair amount of planning, a three or four day economic development "trade" mission to underserved urban and rural areas would attract huge attention and could serve as an important catalyst in moving our related legislation.

In some instances, our timing on these issues will be dictated by movement on the Hill (e.g., when Kennedy moves on minimum wage).

III. Building a New Consensus on International Trade. Use Presidential leadership to build a new consensus on trade, delivering on his commitment to put a human face on the global economy.

A. ***Specific Agenda Items***

Building a New Consensus for Trade Authority: We are exploring whether it is possible to work with Congressional Democrats to fashion a traditional trade authority bill that many House Democrats could support and organized labor would not feel compelled to actively oppose. It would at minimum need to treat labor and environment in parity with other trade negotiating objectives such as intellectual property and could be bolstered by supplementary commitments on international labor and the WTO negotiations. Our initial soundings suggest this will be a tough challenge this year.

Launching a New WTO Round: The President announced the launch of a new Round at the Seattle WTO ministerial we will host in December. This will provide an opportunity to set ambitious objectives to open foreign agricultural and services markets as well as to advance some of our "new consensus" issues, such as labor and the environment. However, many of our foreign partners will pursue opposing agendas and the ministerial will no doubt serve as a target for NGOs and others.

China WTO Accession/MFN: This issue is both an opportunity and a challenge. We have the opportunity to conclude a WTO accession agreement with China in the run-up to Premier Zhu's visit to the United States on April 8. Such an agreement would be applauded by the multinational segment of our business and agricultural communities and would undoubtedly bolster our bilateral relationship. However, the agreement and the associated need to pursue permanent MFN will run into strong opposition from the right and the left on the Hill and organized labor has already signaled strong concerns.

Proposal for Enhanced CBI Legislation: On March 4, we transmitted to Congress enhanced CBI legislation that would provide Caribbean and Central American countries with duty-free and quota-free access for apparel made from US fabric. This legislation is likely to have greater support than in the past in the wake of Hurricane Mitch, but nonetheless is regarded negatively by organized labor and key House Democrats as evidence of our "same-old" approach to trade.

Promoting Africa Growth and Opportunity Act: This legislation is a centerpiece of the President's Africa Economic initiative and is a strong priority for Rep. Rangel. The bill would allow for duty-free and quota-free treatment of textile and apparel from African countries strongly committed to economic reform and respectful of human rights. Although it passed comfortably in the House last year, it was opposed by the Textiles Caucus. This year, Representative Jesse Jackson, Jr. has proposed an alternative that will be preferred by Textile Caucus members. On the Senate side, the Africa bill will not move unless it is wrapped up in an Omnibus trade bill.

New Arm at the ILO to Strengthen International Labor Standards: We are working with the AFL and others to design and fund a new program at the ILO that would provide assistance to developing countries to enforce core labor standards such as collective bargaining. We will seek appropriations of $25 million for the ILO and $5 million for DOL to advance this initiative. In addition, we will attempt to get G-7/8 support for this initiative at the Summit in Koln.

B. *Possible Presidential Actions*

White House Conference or Presidential Speech on the New Consensus on Trade. The President could give a speech at a business where jobs are dependent on exports on the " new consensus," i.e., improving the connection between trade negotiations and broad based progress in living standards. It could include: a framework of trade principles developed with House Dems; international labor initiatives in the FY 2000 budget; any WTO accomplishments on trade and the environment; and success as a result of the Uruguay Round, NAFTA, and 1997-8 fast track consideration. Alternatively, we could bring together business leaders, agricultural representatives, labor and NGOs to meet with the President and Vice-President to flesh out what it means to put a human face on trade (i.e., improving the connection between trade negotiations and broad-based progress in living standards). *Timing: Early April before a trade authority bill is passed or taken up by Senate Finance as part of a Omnibus trade bill.*

Speech at ILO and Adoption of ILO Child Labor Convention: The President could deliver a speech at the annual ILO ministerial in Geneva to detail his agenda on international labor standards and child labor. He would be the first President to do so. At that time, he could express strong U.S. support -- or even promise to seek ratification of -- the new ILO convention on the most abusive forms of child labor. Whether or not he goes depends in large part on what the convention says. We are working in negotiations to make it consistent with U.S. law, but we can not be sure because of some real problems exist. *Timing: June 17 -- the day before the G-7/8 Summit in Germany.*

Presidential Statement for Opening of WTO High-Level Meeting on Trade and Environment. The President could make a statement that could be read by WTO DG Ruggiero at the opening session of this first-ever high-level meeting of trade and environmental officials, which POTUS called for at Geneva. It would emphasize the President's commitment to put in place a process that ensures sustainable development, one of fundamental mandates of WTO, becomes a priority; cite progress on transparency/accountability agenda that the President laid out at Geneva; announce our intention to include important new initiative in WTO Round negotiations to eliminate environmentally harmful subsidies in agriculture and other industries, and announce U.S. commitment to do environmental review of WTO Round & encourage other countries to do the same. *Timing: Monday, March 15!!*

Speech at Africa Partnership Forum: The President should highlight his commitment to passage of the Africa trade bill in his speech at the opening plenary of the Africa Partnership Forum. This would help garner support, which appears to be waning. *Timing: March 16*

WTO Ministerial Meeting. The President should give a speech in advance of and/or at the ministerial announcing "early harvest" results on electronic commerce, sectoral liberalization and transparency/accountability and laying out US negotiating agenda. The timing and feasibility of such an event will depend on the success of our international negotiations in the lead-up to the ministerial. *Timing: March through April 4*

C. *Republican Agenda and Likely Response*

Trade Authority: The Senate Finance Committee is planning to take up an omnibus trade bill before House Ways and Means acts, possibly in April. Chairman Roth has indicated a desire to modify last year's bill in order to make it more attractive to House Democrats; however, he is attempting to build a constituency for such changes in the business community before he issues his proposal. Chairman Archer, on the other hand, has yet to signal flexibility.

CBI: To date, the Republicans have introduced alternative bills both in the Senate and in the House. Crane's bill endorsed by Rangel provides for similar benefits but includes a provision for including regional fabric and strict transhipment enforcement. With respect to the Graham bill, the differences lie in the time period of the benefits and in the conditionality.

Africa: At this time, the Administration and congressional sponsors have been unable to locate a Republican champion in the Senate.

D. ***Timing and Strategy***

Trade Authority. Our strategy is to engage House Democrats and Labor before attempting to enlist the support of Senate Finance Committee Democrats to influence the Roth bill. Senator Moynihan and other Finance Democrats are strongly committed to fast track; however, they are more prepared than last Congress to help us move Committee Republicans in our direction. Our goal is to get as much as we can out of Sen. Finance at the same time that we build confidence among House Dems. in two stages --- I) issue in April a framework of principles that embodies most of the concepts House Democrats are concerned about in the trade debate; and ii) develop specific new policy initiatives in these same areas for issuance in the run up to House consideration of the bill. These policy initiatives could include modifications to legislative language within the fast track bill as well as a series of complementary undertakings on labor, environment, debt and development, adjustment assistance, and the border economy in other areas of US international economic policy.

Africa. The Crane/Rangel bill has not been scheduled for House Ways and Means full committee mark-up. Our strategy is to work to reach consensus on an acceptable House bill if necessary, but maintain public for the Rangel legislation. Subsequently, we will then move to negotiate the controversial provisions (e.g., textiles, eligibility and transshipment) to shape a bill that will pass when it gets wrapped up into an Omnibus bill in the Senate. *Timing: April 4 to May 31*

IV. Reforming the International Financial Architecture. Continue to work with the G-7 and others to advance a set of concrete, sensible reforms to the international financial architecture.

A. ***Specific Agenda Items***

New Debt Policy. Treasury is working up a set of proposals to accelerate the timing and expand the scope of developing country debt forgiveness. Other G-7 members, such as Germany, the UK and France, have already announced a series of general proposals, many of which track previous US suggestions. The goal is to have significant new initiatives for the leaders to announce at the Cologne summit in June. The proposals are likely to focus on an expansion of debt relief extended by the international financial institutions; however, this will require identification of new ways to pay for the debt relief -- an issue that has not yet been resolved.

New Social Safety Net Policy. G-7 countries are discussing ways to encourage the implementation of better social safety net policies in developing countries, particularly those hit hard by the world financial crisis. An internationally accepted set of best practices or principles would be established to guide the policies of poor countries and the lending practices of MDBs. In addition, the need for crisis-stricken countries to protect budgets for social programs would be emphasized in IMF and World Bank programs.

G-7/8 Reform Agenda on International Financial Architecture: We continue work with the G-7 and in other fora to advance a set of concrete, sensible reforms to the international financial architecture. While the French and Germans have floated several specific ideas in that context (enhanced role for the IFC Interim Committee and target zones for exchange rates, both of which we propose), Treasury continues to do the real heavy lifting on systematically developing, analyzing and refining options. While the G-7 Finance Ministers did announce progress on a number of measures at their February meetings in Bonn, much work remains to be done. We are pushing to have made significant progress against the overall architecture agenda for announcement by POTUS and other leaders at G-7/8 Summit June 18 in Cologne.

B. ***Possible Presidential Actions***

Speech at Africa Economic Conference to Roll Out New Debt Policy. There may be an opportunity to articulate US policy on enhanced debt relief at the Africa forum. Treasury is working on a set of policy options, which will be reviewed by a rump group of Deputies on March 12. At a minimum, the we ought to be in a position to articulate broad intentions as the UK and Germany have already done this year. *Timing: March 16*

Speech on Architecture at "Seminar" with Emerging Markets: A group of 33 industrial and emerging-market countries will meet in Germany on March 11 to discuss and provide input on questions of exchange rate regimes, responding to financial crises and strengthening the IMF and World Bank. These same countries will meet again in Washington in late April to discuss financial supervision and regulation, and ideas for shoring up social safety nets. This second meeting may provide an occasion for a Presidential speech on the topic of architectural reform, although this may be premature, given the state of progress against individual reform initiatives. We will monitor progress as the date gets nearer. *Timing: April 25-26*

Speech on Architecture at World Bank/IMF meetings in April: The semi-Annual meetings of the World Bank and IMF in April may provide a similar opportunity for the President to address issues related to financial architecture reform. Again, much will depend on the state of progress against those reforms by that time. *Timing: April 27-28*

Speech on Financial Architecture at G-7/8 Summit in Cologne: The Summit will specifically take up the issue of financial architecture reform, and a Presidential speech at or around the time of the Summit will serve to highlight his continued leadership in this area. President Chirac is keen to claim some share of that leadership (although the French have contributed little of substance). We may need to finesse the timing of any

POTUS address to forestall that claim. *Timing: June 18*

Speech Previewing Social Safety Net Outcomes of G-7. The President could choose to focus on social safety net issues in advance of the G-7 meeting. He could highlight the FY 2000 budget proposal providing $9.5 million to the Department of Labor to assist the many countries that have requested help in the design and implementation of unemployment, pension, health and other benefit programs. And he could give a US imprimatur to the efforts of World Bank President Wolfenson to devote more resources to this problem. *Timing: mid May*

UPCOMING CHALLENGES REQUIRING ADMINISTRATION RESPONSE

Tax Day on April 15. The Hill Republicans will hit us in the week leading up to tax day. This pattern has been played out in a similar patter for the last several years.

A. ***Timing.*** As occurs each year, the Hill Republicans will unleash a misleading attack on the Administration's record on taxes on the days leading up to April 15.

B. ***Responses.*** We plan to work with Treasury and others to develop a plan to address this shortly.

C. ***Presidential Action.*** It is unlikely that any Presidential action will be required.

Electricity Restructuring. Under electricity restructuring, state regulated utilities would no longer have the exclusive right to sell electricity in their geographic territories. Instead, consumers could purchase electricity from any generator that served their market, just as they currently choose their long distance telephone carrier. The bill is expected to generate $20 billion of savings and to provide important environmental benefits.

A. ***Timing.*** On March 18th the Department of Energy plans to submit a revised electricity restructuring bill to Congress.

B. ***Responses.*** Current plans are for Secretary Richardson to host an event on the steps of the Capital at which he presents the bill to Congress.

C. ***Presidential Action.*** We will likely not seek any Presidential or Vice Presidential action when we submit the revised legislation.

China MFN Renewal/Permanent MFN. We will face one or two MFN battles this year with Congress: annual MFN renewal and/or Congressional approval of permanent MFN for China in the wake of a China WTO deal. The first will be bruising, the second monumental, given the state of broader U.S.-China relations and the congressional and political dimensions. If China is unable to conclude its WTO negotiations with all nations until later this summer, we could be forced to vote on China twice this year because the annual MFN vote must take place by the August recess.

A. ***Timing.*** The President must notify Congress of his intent to renew MFN by June 3. Congress has 90 days to pass a joint resolution of disapproval. If China enters the WTO, we must pass legislation graduating China from the annual Jackson-Vanik requirement, or we will be out of compliance with our WTO obligations.

B. ***Responses:*** NSC, NEC, COS, State and USTR will work closely to develop a strategy for MFN renewal. If we get a WTO deal with China, Principals will need to decide whether we seek legislation to graduate China from Jackson-Vanik annual review requirements.

C. ***Presidential Action.*** We will use Premier Zhu's visit to seek to conclude a WTO deal bilaterally with China, and to advance other aspects of relationship. We will leverage that toward MFN renewal and potentially permanent MFN.

Stopping Unfairly Traded Steel and Strengthening Our Trade Laws: Unless we convincingly address the steel crisis, our overall trade agenda will be stymied this year. We have taken tough actions under our trade laws, which are beginning to show results, but many allege it took too long. A Visclosky quota bill is now moving rapidly through the House with bipartisan support. We are working on an alternative approach with Sandy Levin that aims to strengthen our trade laws but in a WTO-consistent manner. This or a similar approach may ultimately be incorporated in an Omnibus Trade Bill in the Senate.

A. ***Timing.*** The Visclosky quota bill will be voted on the week of March 14. The timing of Sen. Levin's bill is unclear. Prospects in the Senate are also unclear.

B. ***Responses.*** We are actively working with Levin and Gephardt on the Levin proposal which may gain broader support in House or Senate.

C. ***Presidential Action.*** We should continue to issue strong statements about vigorous enforcement of our trade laws and the need for our trading partners to play by the rules. Furthermore, at the right time, we should come out strongly and publicly in support of steel trade legislation we can live with that includes WTO consistent change to Section 201 injury standard.

Bankruptcy. The House is starting from a bill over which we threatened a veto last year, while the Senate is currently making some changes to gain bipartisan support for the legislation. However, even the Senate version is likely to be inadequate.

A. ***Timing.*** There could be markup in the Senate as soon as next week.

B. ***Responses.*** We are currently working with Legislative Affairs and the First Lady's office on our Hill strategy.

C. ***Presidential Action.*** We will reiterate the major changes we need to see to support bankruptcy legislation. If necessary, we will issue veto threats again.

Y2K Liability. The industry-developed consensus bill has stalled in the Senate as of now with some recognition on the Hill that it goes too far. Sen. Hatch is seeking cooperation in negotiating a bipartisan approach.

A. ***Timing.*** Negotiations are ongoing, and the bill is scheduled to go to the Senate floor on April 12.

B. ***Responses.*** We remain unconvinced that a bipartisan approach is necessary, since we would recommend a veto of the bill in its current form. We are working with the Democrats currently to move ahead.

C. ***Presidential Action.*** Nothing foreseeable at this time.

<u>Class Actions</u>. In addition to Y2K, this is the primary goal of the tort reform coalition. Last year, we had Attorney General Reno issue a veto recommendation statement.

A. ***Timing.*** Uncertain

B. ***Responses.*** We are working on more effective briefing materials now to make clear that the bill does not do what its supporters advertise.

C. ***Presidential Action.*** Nothing foreseeable at this time.

<u>Financial Modernization</u>. We are working to ensure that we can beat back any effort by Sen. Gramm and others to undermine CRA in any Financial Modernization legislation.

A. ***Timing.*** The Banking Committees will be marking this up soon.

B. ***Responses.*** If Sen. Gramm's bill moves to the floor in its current form, we will work with Treasury to reiterate the Presidential veto threat and try to promote a product in the House that the President could enthusiastically support.

C. ***Presidential Action.*** We may again issue veto threat.

EXECUTIVE AND OTHER NON-LEGISLATIVE ACTIONS

I. Protecting Consumers

Consumer Financial Right to Know. ***This is ready to go***, and we are working on how to package it together and which pieces to highlight. The thrust of the initiative is that, while innovation and technology have created great new opportunities for consumers, they also have created new challenges and opportunities for abuse. The plan contains both administrative and legislative proposals focused in five areas: disclosure/right-to-know (in credit card, banking, and other services); protection against fraud; financial privacy; expanding access to financial services; and consumer financial education. *Timing: Possibly March 25 in Cincinnati*

Promoting a "Passenger Bill of Rights". We have been working with DOT to draft the " Airline Consumer Protection Plan Act." There is significant interest in this issue on the Hill, as Sen. McCain and Rep. Shuster are both holding hearings on the subject during the week of March 8. The Vice President will announce the Administration's support of the Act in the short-term (on March 10) and then have the President conduct a larger event on the issue some time in the next several months. *Timing: March-May*

II. Building the New Economy and Advancing Technology

White House Conference on the New Economy. We could bring together top economists to meet with the President and Vice President on this issue. High profile panelists such as Alan Greenspan and a substantive discussion of major, cutting edge issues would ensure significant press coverage. Topics could include the impact of information technology on productivity, the business cycle, and inflation; the changing relationship between unemployment and inflation; and the changing relationship between regulation and international trade. *Timing: May-July*

Research Funding in a Post-Cold War World. Although there is strong support for bio-medical research, there is little public or congressional understanding of the importance of investing in other research areas, such as physical sciences and engineering. In the past, DOD conducted much of the research in this area, but it has been cutting back on long-term research for the last ten years. The Administration needs to define and fund a set of research challenges for the 21st century (e.g., sustainable development) and the President could do so, just as he did at the MIT commencement in June 1998 in the context of the information revolution.

E-Society Initiative. In 1997, the Administration pulled together a set of public policy activities under the umbrella of "e-commerce." We believe that there is a value to organizing a similar effort on the social benefits and dimensions of the Information Revolution. By launching an "e-society" initiative, the President and Vice President can continue to reinforce the message that the Information

Revolution is not just about commerce, it is also about enabling Americans with disabilities to lead more independent lives, improving the way we educate our children, allowing adults to acquire new skills at a time, place and pace that is convenient for them, making government more open, efficient, and responsive, and expanding access to quality health care in rural communities. The Administration's budget makes significant contributions in this direction. We could potentially issue an Executive Order -- like the e-commerce EO -- to delegate the Administration's e-society agenda to the appropriate government agencies.

III. International Economic Issues

Child Labor. The President and Senator Harkin could hold an event to focus attention on international child labor, which would include: (1) a new executive order banning procurement of goods made with child labor (memo to Podesta for approval to be sent shortly; executive order in final clearance); (2) the DoL annual report of child labor; (3) unveiling the Administration's plan for use of $30 million IPEC Child Labor funds in FY 99; (4) arguing for continuing that level of IPEC funding in FY 2000; and (5) promoting the Administration's new $10 million program through USAID on changes to educational systems to prevent Child Labor.

Meet with Ex-Im and OPIC to Promote Manufacturing Exports. The President and Vice President could sit down with Jim Harmon at Export-Import Bank and George Munoz of OPIC to discuss everything that the two agencies are doing to address the global economic situation and to promote our initiative to boost manufacturing exports.

Announce Renewal of Super 301 By Executive Order. Super 301 enables us to take unilateral action against a country engaging in unfair trade practices that harm our exporters. In Senate testimony last month, Barshefsky announced our intention to renew this authority. The President could make a statement when he issues the executive order asserting our commitment to making sure countries play by the rules of international trade. We could try to time our announcement to coincide with the initiation or conclusion of a trade case. *Timing: (ck)*

Executive Order on Sanction Policy. The President could announce an Executive Order promising self-restraint on the imposition of economic sanctions under executive authority. This would be welcomed by the business and agriculture communities and could be used in a broader deal for similar self-restraint by Congress. We are currently working with Dodd and Lugar in the Senate and with Dooley in the House on such legislation. *Timing: (ck)*

Promoting a Southwest Borders Initiative. We could hold an event in Texas or California to announce initiatives to improve the economic hardships faced by the border regions and to fend off NAFTA criticism. *Timing: late 1999*

Agricultural Trade Policy Presidential announcement on elements of Agricultural trade policy (e.g., negotiating position for WTO, possible Section 301 for agriculture). *Timing: Summer*

APEC The President will give a speech at the APEC Leaders meeting on September 12-13 in Auckland, New Zealand, announcing the results of APEC's tariff elimination agreement and US efforts on e-commerce and information technology trade. *Timing: September 12-13*

IV. Other Initiatives and Announcements

Long-Term Care Study. We are working with HHS on pulling together information on state-by-states and women and long-term care.

IRS Oversight Board. The members of the IRS Oversight Board are almost ready to be announced (the President has the memo). This could be a good opportunity to highlight IRS reform efforts and showcase a solid board, while including members of Congress from both parties. *Timing: mid March-April*

Domestic Agricultural Labor Laws. We *may* have an announcement about new policy on domestic agricultural labor laws -- but we probably want to spend a few months making the case that there is a problem, before we suggest the solution. Labor is working on a plan. This will certainly not be ready until at least May -- and could be later. *Timing: May-July*

V. Upcoming Economic Releases that May Provide Message Opportunities

March 5	Employment Situation
March 18	International Trade
March 25 (ck)	Steel Imports
March 19	Treasury Monthly Budget
March 31	GDP (Q4--Revised)
April 1	Personal Incomes
April 2	Employment Situation
April 18	International Trade
April 21	Homeownership Numbers (Q1)
	Treasury Monthly Budget
April 25 (ck)	Steel Imports
April 29	Employment Cost Index
April 30	GDP (Q1)

Sperling

August 17, 1999

MEMORANDUM FOR JOHN PODESTA, DOUG SOSNIK, STEVE RICCHETTI, MARIA ECHAVESTE, KAREN TRAMANTANO

FROM: **GENE SPERLING**

SUBJECT: **NEC's Long-Term Policy Announcements and Message Ideas**

The overarching theme of our economic message is President Clinton as protector of the economy. President Clinton has had a three-part economic strategy since he took office in 1993: fiscal responsibility; investing in people; and opening foreign markets. This strategy has led to the creation of over 19 million new jobs, the first budget surplus in a generation, low inflation, low interest rates, and strong economic growth. And now, President Clinton will not let the congressional Republicans or anyone else threaten this economy.

- He will insist on a responsible fiscal plan and will veto any tax bill that would lead to higher interest rates and hurt the economy.
- He will not sign appropriations bills that harm priorities such as education and health care, and he will ensure that we do not leave any communities behind.
- He will fight to open markets around the world, resist protectionism, and ensure vigorous, timely enforcement of our trade laws.

We have structured this strategy memorandum in the manner you requested, listing message ideas and policy announcements for the President and Vice President. It is organized as follows:

<u>Strategic Theme: President Clinton as Protector of the Economy</u>

- Preventing a Bad Tax Cut that Would Hurt the Economy
- Saving Social Security and Strengthening Medicare
- Ensuring that Everyone Participates in the Growing Economy
- Fighting to Open Markets Abroad
- Reforming the International Financial Architecture

<u>Upcoming Challenges Requiring Administration Response</u>

- Timing; Responses; and Presidential Action

Executive and Other Non-Legislative Actions

STRATEGIC PLANS

I. Preventing a Bad Tax Cut that Would Hurt the Economy. Perhaps our most important objective for the remainder of the year is to ensure that we are able to keep a harmful tax cut from becoming law. The President will continue to make statements and hold events that present him as the protector of the economy and as a strong fiscal hawk on this issue.

Veto the Tax Bill with Constructive Offer. When Congress returns from recess in September, we will receive the tax legislation from the Hill for the President's veto. We need to consider how we want to handle the actual veto in early September. Clearly, we want to present this veto as a necessary step for the President to take to protect the economy from fiscal recklessness. We should make news and policy by making a veto statement -- or the next day make a specific announcement on Medicare. *Timing: early September*

Final Budget Surplus Numbers. At the end of the fiscal year, we will receive the final budget surplus numbers for FY99. We should, as we do annually, hold an event where the President and Vice President can tout the successes of fiscal discipline and of our economic strategy – and warn that we cannot abandon the strategy that has created the strong current fiscal situation. *Timing: September 22*

Highlight Threat to Interest Rates Increasing. We could highlight the threat that the Republican tax plan and higher interest rates pose to ordinary Americans by holding an event focused on the benefits of low interest rates (e.g., highlight homeowners, college students, small business owners).

II. Saving Social Security and Strengthening Medicare. We need to continue to create an environment in which the President's Social Security and Medicare reform proposals can be enacted this year. By presenting President Clinton as a leader willing to address the twin fiscal challenges – maintaining budget discipline and addressing long-term entitlement reform – we can continue to promote the image of the President as protector of the economy.

A. *Specific Agenda Items*

Medicare. I am working with Larry Stein on a strategy memo on how to both engage internally and publicly on Medicare, with a possible public offer to work together after the veto or with the veto.

Continuing Legislative Process on Our Social Security Framework. Archer may do a mark-up of his bill in September. We need to decide between the following four approaches:

- Stay where we are
- Put out lock-box legislation
- Put out lock-box legislation without "mirroring"
- Seek to work on negotiations with Archer/Democrats

We need to explore whether the House Democrats feel it is helpful to have an administration legislative proposal.

B. *Possible Presidential Actions*

Call for Process to Achieve Medicare Reform. When the Hill completes work on its Medicare bill, the President could call for a process whereby the Administration would work together with both parties on the Hill to achieve meaningful Medicare reform.

Release the Social Security Actuaries Memo. The Actuaries memo will show that the President's Social Security plan extends the solvency of the Social Security program to 2053. This event will give us the opportunity to reiterate our commitment to the Social Security program and provide further details about our plan. We could use this event to signal our willingness to work with Congress in a bipartisan fashion to further extend the solvency of the program.

Release Further Details on Reducing Widow Poverty and Earnings Test. At this point the economics team is still analyzing several anti-widow poverty initiatives and the repeal of the Social Security earnings test. A key issue is whether to release such details even though we said in the State of the Union that we would only do this with bipartisan reform.

Conduct Event around First Mailing of Social Security Statements to American Workers. On October 1, SSA will begin mailing annual Social Security statements to American workers age 25 and older. The statement provides workers with estimates of benefits they can expect to receive when they retire or become disabled, or what their family can expect from Social Security if the worker dies. These mailings (125 million per year) represent the largest customized mailing ever by the federal government. *Timing: end of September, early October*

Medicare State by State. We are working on compiling state-by-state information on Medicare, for a possible event early in September. It would mostly include basic information like the number of beneficiaries by gender, race, etc. by state -- not very specific to the proposal. The idea would be to bring in regional press for a day-long White House event with briefings, an event with the President, etc. (modeled on the climate change/weathermen event a couple years ago). *Timing: early September*

Children's Health Outreach Event. In late September, we are hoping to get a POTUS event to: (1) announce the new Federal Interagency Task Force report, that includes new actions like getting AmeriCorps involved in kids' outreach; putting posters on public transportion with the toll-free number; and putting the information on stamps or change of address cards through the postal service; (2) ordering HHS and Education to develop a plan to institutionalize school-based enrollment in CHIP; and (3) more private actions including a multi-million dollar foundation effort to promote outreach. *Scheduling request is pending for late September*

C. *Republican Agenda and Likely Response*

The Hill Republicans are trying to sell their tax cut agenda over the August recess. After the veto, they may seek a new tax cut compromise. We must make Medicare the next step. Come the end of the fiscal year, they intend to send one short continuing resolution at last year's levels after another, hoping that these Spartan levels will coerce us into agreeing to tax cuts. Diminished and diminishing expectations limit the credibility of large-scale responses. As the year progresses, the size of the initiative that the Administration can credibly advance will decline.

D. *Timing and Strategy*

Toward the end of the fiscal year, we need to remind observers of the government shutdown scenarios of the past and highlight the inability of Hill Republicans to govern.

III. Ensuring that Everyone Participates in Economic Growth. The President will continue to promote economic opportunity for all Americans by promoting economic development in New Markets, expanding worker training, increasing mentoring opportunities for pre-college students, and pressing for other initiatives for working families. *This is particularly important through the fall Appropriations process.*

A. *Specific Agenda Items*

Appropriations Process. We need to ensure that over the course of the fall, we are holding events regularly that show the President as protecting our domestic economic priorities by highlighting issues like education, health care, and other priority initiatives that he will not allow to be cut from the budget.

New Markets Initiative Legislation. We will continue to push forward this legislation, parts of which were formally introduced the week of August 2. The New Markets Legislation includes the New Markets Tax Credit and the America's Private Investment Companies which were introduced on Thursday August 5. We anticipate that the remaining major component of the legislation, the New Markets Venture Capital Firms will be introduced immediately following the recess.

Bipartisan New Markets Effort. We are working on the following steps to get a bipartisan agreement. First, Larry Stein and I will meet with Danny Davis, a lead co-sponsor with Talent and J.C. Watts on the Republican American Community Renewal Act. Second, we could do a possible "offer" letter from the President to Hastert saying that there are some elements of the American Community Renewal Act with which we could live.

New Markets Regulatory Changes. Several elements of the New Markets Initiative do not involve statutory changes. These include, Small Business Investment Companies targeted to Low and Moderate Income areas. SBA will propose these regulatory changes this fall.

Manufacturing Task Force. The presidents of the industrial unions have raised concerns about recent slippage in manufacturing employment and softness in the manufacturing sector associated especially with a downturn in exports. The President and Vice President recently committed that we would undertake an Administration-wide process to develop a comprehensive plan for the manufacturing sector. The plan should encompass technology, training, offsets/outsourcing, small and medium enterprise, and export promotion policies. We would work towards consultations with labor and industry on an initial proposal by mid-Autumn and then work to finalize the plan as part of the State of the Union/Budget process in the winter.

Highlighting Education Priorities in Appropriations Process. The President could release a list of ten key education items that are critical priorities and that we expect to win on during the Appropriations process. We could present these items as the types of things that must be in any budget for the President to sign it. This will set up clear "wins" for us on our education agenda. *Timing: Fall*

B. *Possible Presidential Actions*

A Second New Markets Trip. Focusing on economic development needs in North Carolina, Hartford, Newark, and other locations, we will prepare for a second trip in early November. *Timing: October-November*

Announcement of the Community Development Financial Institutions Fund Awards. Possible announcement of the CDFI Fund announcements of awards to groups around the country. This event could take place at the White House or off campus. *Timing: August - September*

Executive Order on Market Research for New Markets. Possible announcement of an interagency task force that will be responsible for assembling and publishing data helpful the private sector in their evaluation of investment opportunities in untapped markets. The task force might also work to coordinate a conference with leading practitioners and academics that do work on new markets and related community development. *Timing for EO: September; Timing for Conference: November*

Highlighting the Census Study: Poverty in the United States: 1998. The President could roll out the Census Bureau study on poverty in the United States on September 30. Each year the Census Bureau releases the study. Given the strong economy, low unemployment and low inflation, the numbers should be extremely good. In addition to the statistical findings of the study, the President could highlight the Clinton/Gore policy accomplishments in this area and then say that more needs to be done and that is why he is doing another New Markets trip to highlight the pockets of poverty that remain. *Timing: September 30*

Addressing the Skills Gap and Training American Workers for American Jobs. One recent survey found that over 60 percent of corporate leaders say that the number one barrier to sustained economic growth is the lack of skilled workforce. The President and Vice President could meet with a number of CEOs to discuss the current skills gap and what needs to be done to close it. We have a number of ideas, but the Vice President may want to take the lead on this.

Adult Literacy Initiative. We could help to highlight the Adult Literacy Initiative by focusing on the importance of Graduate Equivalency Degrees (GEDs). This could be done by having a graduation ceremony at which the President could distribute diplomas to 50 recent GED graduates – one from every state. We could announce a new Administration initiative, possibly an Executive Order designed to further education and training opportunities to GED graduates. One student could play a valedictorian role and tell a personal story. Secretary Riley and Secretary Herman could participate, and students from every state might encourage members of Congress to attend. *Timing: September or October, or anytime*

Making College Available to All Through the GEAR UP Mentoring Initiative. We could follow up on this week's announcement of the $120 million in GEAR UP grants by further addressing the initiative through the appropriations process. We could hold an event where the President will make several announcements regarding GEAR UP, including: the Ford Foundation's partnership with the Administration to provide technical assistance to applicants and grantees, doubling of the Ford Foundation's funding to their own grantees, the creation of the High Hopes for College Leadership Group, the President's letter to all College Presidents urging them to participate, and the unveiling of the GEAR UP application package. He will also obviously push for his proposal to double funding for the GEAR UP mentoring program.

Focus on the Minimum Wage. Obviously, this is an issue we want to coordinate closely with the Hill. One possibility would be to have the Labor Department write a short report on the impact of the 1996/1997 minimum wage increase on job growth, unemployment, and wages. *Timing: TBD*

C. ***Republican Agenda and Likely Response***

The Republicans will have a limited training and economic development agenda. Nonetheless, there have been some indications that key Republicans may want to move on some of our legislation. For example, Rep. Goodling made some very positive statements about our entire workforce initiative on the day the President announced it in late January. And Reps Watt and Talent have moved forward on a New Markets-style initiative of their own. We will continue to try to forge bipartisan support around as many of these initiatives as possible.

D. ***Timing and Strategy***

We would like to focus a great deal of attention on our worker training agenda and our community empowerment agenda over the next four months. In some instances, our timing on these issues will be dictated by movement on the Hill (e.g., when Kennedy moves on minimum wage).

IV. Fighting to Open Markets around the World and Resist Protectionism. We need to use Presidential leadership to build a new consensus in favor of opening markets and resisting protectionism, as it delivers on his commitment to uphold our trade laws and to put a human face on the global economy.

A. ***Specific Agenda Items***

Launching a New WTO Round: The President announced the launch of a new Round at the Seattle WTO ministerial in December. This will provide an opportunity to set ambitious objectives on opening agricultural and services markets and to advance "new consensus" issues, such as increasing the accountability and openness of the WTO and securing a forum for consideration of the effects of trade on labor and environmental standards. We are also seeking important outcomes at the Ministerial, including an extension of the WTO prohibition on e-commerce duties (especially relevant in the Seattle area), a procurement transparency agreement, and an accelerated tariff liberalization (ATL) agreement on key sectors where the U.S. is quite competitive. However, many of our foreign partners will pursue opposing agendas, such as attempting to place U.S. anti-dumping laws on the table or to reopen the controversial area of investment -- non-starters for us. We will seek strong endorsement by APEC Leaders of our key priorities for the WTO Ministerial. However, the ministerial also presents a convenient target for domestic opponents of trade, and a coalition of opposition groups is organizing now to get their message across loudly in Seattle.

China WTO Accession/MFN: This issue is both an opportunity and a challenge. We continue to push hard to conclude a WTO accession agreement with China in the run-up to the Seattle WTO ministerial – using the bilateral meeting between the President and Chinese President Jiang to make progress. Such an agreement would be applauded by the multinational segment of our business and agricultural communities and would significantly bolster our bilateral relationship. The associated need for permanent NTR status will also load up our trade legislation agenda with a potentially tough fight; organized labor has already signaled strong concerns.

Securing Passage of the CBI and Africa Trade Bills: Senate floor consideration of a trade bill including CBI and Africa trade preferences is likely by late September. The goal is to marry the Senate product, which could include an extension of the Trade Adjustment Assistance and Generalized System of Preferences programs and possibly a wool tariff reduction favored by UNITE and the domestic wool suit industry, with the House-passed Africa bill in conference. We will seek to promote compromises in conference sufficient to ensure Congressional passage while preserving adequate trade benefits and improving worker protections for CBI and African countries.

Securing Passage of a Southeast Europe Trade Initiative: We will also work with Senator Moynihan and others to identify an appropriate vehicle for the trade initiative proposed by the President at the Southeast Europe Stability Pact Summit in Sarajevo.

Articulating a Strategy to "Level Up" Labor and Environmental Standards: The President's Chicago and ILO speeches expanded upon the SOTU call for a new consensus on trade policy based on a process of leveling up labor and environmental standards as the liberalization of trade and investment rules proceeds. Our efforts to promote a successful Seattle WTO ministerial and lay the groundwork for a potential Congressional vote in connection with China's WTO accession would benefit by further policy advances in this regard. We will need to continue articulating and elaborating a clear, comprehensive policy including both long-term objectives and specific, near-term initiatives to help blunt labor and other domestic criticism of our efforts in Seattle and improve the climate in the House Democratic Caucus for trade legislation. Staff is developing additional policy options and themes addressing public concerns about the "race to the bottom" concerns, which will focus primarily on initiatives outside the traditional boundaries of trade policy and on applying carrots rather than sticks.

New Arm at the ILO to Strengthen International Labor Standards: We are working with the AFL and others to design and fund a new program at the ILO that would provide assistance to developing countries to enforce core labor standards such as collective bargaining. We are seeking FY'00 appropriations of $25 million for the ILO and $10 million for DOL to advance this initiative.

Bilateral Trade Agreement with Vietnam: We are aiming to conclude a bilateral trade agreement with Vietnam for possible signature at APEC. The business community will be very enthusiastic about the terms we have secured so far. However, we will need to nail down a strong textiles agreement (with labor conditions) before submitting legislation to Congress granting Vietnam NTR.

B. ***Possible Presidential Actions***

Opening or Closing Address at WTO Ministerial Meeting. The President should give a speech at the ministerial in order to highlight his leadership in the launch of the new global round, emphasize the core U.S. agricultural and high tech interests at stake, take credit for implementation of the WTO reform agenda he laid out two years ago, and discuss his vision of how the globalization process must become a mechanism for leveling up as we move into the 21st century. *Timing: November 30 – December 03.*

Presidential Speech at the APEC CEO Summit: The President is scheduled to give a speech to the CEO Summit at APEC in New Zealand. Although this speech will not get a lot of attention at home, it provides a good opportunity for the President to lay out a strong pro-trade agenda going into the WTO ministerial – which would be welcomed particularly by domestic agriculture. Depending on what happens in our trade negotiations with China, it could also provide an opportunity for making a strong case for a possible trade agreement with China. *Timing: September 12.*

Presidential Witnessing Signing of Vietnam Bilateral Trade Agreement at APEC: We are working hard to wrap up negotiations with Vietnam on a trade agreement by the time of the APEC leaders meeting. The President could join with the President of Vietnam in witnessing the signing of the trade agreement when both are in Auckland. Obviously, such an event would invite some criticism as well as strong support from the business community and some other groups. *Timing: September 11-12.*

Presidential Speech on "Leveling Up": The President could give a speech outlining a broad policy framework to guide our efforts to promote broad-based improvements in living standards through parallel trade liberalization (WTO/China/regional agreements) and "leveling up" (economic democracy institutional building) agendas, per above. The speech could be presented before a major international affairs audience in the autumn a few weeks before the Seattle ministerial. It could include, but would preferably be separate from, an articulation of our specific goals for Seattle (see separate entry).

Africa Trade Bill Event: The President should do an event highlighting his strong commitment to passage of the Africa trade bill this year prior to any Senate floor action. Such an event would highlight the diversity and breadth of international and domestic support for this legislation – and the President's personal commitment, which has been less visible of late. The thrust of the event should be limited to an appeal to Congress to work together in a bipartisan fashion to send a bill to the President this year. It should steer clear of bill specifics, which remain somewhat in dispute. Also, given that Senate Finance is likely to move the Africa trade bill in a package with CBI enhancement, which is much more controversial with Labor, we will need to navigate the politics carefully. *Timing: Early October.*

C. ***Republican Agenda and Likely Response***

CBI/Africa Omnibus Trade Bill. The Senate is likely to consider by late September a trade bill including CBI, Africa, GSP, TAA and perhaps other items. Senators Lott and Roth will try to discourage amendments to the CBI and Africa provisions, arguing that conference is the best place to consider compromises. Nevertheless, Gramm is likely to offer House-like Africa textile provisions, which we support, and lose. And Jeffords may offer a compromise between the House and Finance Committee textile texts depending on assurances from Lott and Roth as to what they would support in conference. Feingold may offer Jesse Jackson, Jr.'s bill as an amendment but should attract limited support. Helms' and Hollings' ultimate posture is unclear.

Trade Authority. Whereas the House is unlikely to initiate any legislation to renew fast track trade negotiating authority, Senator Roth may conduct a Finance Committee markup of a bill in late September. His intention would be to report a modified version of last Congress' bill with bipartisan support as a signal to our trading partners in Seattle that the U.S. is likely to have negotiating authority in place when it needs it. He is not interested in pressing for a vote by the full Senate in this session. Discussions on a potential Administration response have been pessimistic, although there is some interest in exploring the possibility of a "new consensus" WTO-only approach. We may want to develop a set of principles for the treatment of labor and environment that could demonstrate broad Democratic unity – as opposed to the much more difficult task of crafting a "Democratic" bill. If instead we remain silent, we may send Finance Committee Democrats again into the hands of their Republican colleagues out of frustration with a lack of Presidential leadership, cleaving the Party further on trade. The endgame may be an attempt by Roth to draft a Senate or Concurrent Resolution limited to an expression of support for certain WTO trade negotiating objectives.

D. *Timing and Strategy*

Trade Authority. Should Senator Roth proceed with a mark-up in late September, the Administration could make a policy statement on the treatment of labor and environmental objectives that commands broad Democratic support – as described above. This statement could take the form of a broader policy speech focused on"levelling up" labor and environmental standards as discussed above. *Timing: September/October.*

CBI/Africa. In anticipation of a likely Senate consideration in late September, we are preparing for a debate on textile and apparel trade and conducting Hill and private sector outreach. It may also be advisable to make a high-level appeal to the Congressional leadership in early September to place this bill on a schedule that would permit it to be sent to the President by mid-October. The goal would be to prevent it from being backed up against the end of the session, when opponents have used their enhanced leverage in the past to block passage of CBI and Africa. *Timing: September/October.*

V. Reforming the International Financial Architecture and Relieving the Debt Burdens of Highly Indebted Poor Countries. Continue to work with the G-7 and others to implement the debt relief plan and international financial architecture agenda agreed to at the G-7/8 Summit in Cologne.

A. *Specific Agenda Items*

New Debt Policy. The NGO community and primarily African beneficiary nations are pressing for radical debt relief as a demonstration of our commitment to a relationship of partnership and equality with the poorest nations as we enter the new millennium. Under the Cologne Debt Initiative, which we championed, the U.S. is responsible for providing financing for substantial additional bilateral and multilateral debt relief. Our share of these costs is estimated to be approximately $850 million over 5 to 10 years. In addition, we had planned to seek Congressional authorization for the use of a portion of the IMF's gold reserves to fund its debt reductions – although that plan is now in doubt with the Congressional prospects worsening. We will seek authorization for the full $850 million this year and appropriation of a significant share in FY 2000 (depending on budget constraints) in order to give the Initiative international credibility and attract early financing from other countries. Treasury will also work with Congress to authorize a modified approach to tapping the market value of the IMF's gold reserves.

New Social Safety Net Policy. G-7 countries are discussing ways to encourage the implementation of better social safety net policies in developing countries, particularly those hit hard by the world financial crisis. An internationally accepted set of best practices or principles could be established to guide the policies of poor countries and the lending practices of MDBs. In addition, the need for crisis-stricken countries to protect budgets for social programs should be emphasized in IMF and World Bank programs per the recent agreement by G-7 leaders to place greater emphasis on poverty alleviation in economic reform programs. Finally, we are exploring with the international financial institutions whether they might play an expanded role in helping emerging market economies launch unemployment insurance and other social insurance programs.

Implement G-7/8 Reforms of the International Financial Architecture: We continue work to implement the international financial architecture reforms agreed in Cologne, to further strengthen international financial institutions, such as the Financial Stability Forum, and to institutionalize a finance ministers process that includes key emerging markets along with the traditional G-7 industrial economies.

B. ***Possible Presidential Actions***

Speech at Africa Economic Conference to Roll Out New Debt Policy. In an event this fall, the President could propose a budget amendment representing part or all of the costs of the Cologne Debt Initiative, while appealing to Congress to pass an authorization that includes authority to support use of the IMF's gold to finance its debt reductions. Interagency staff is reviewing appropriations and IMF gold policy options as well as potential event ideas. *Timing: Early September for World Literacy Day or Late September in advance of IMF/World Bank annual meeting.*

Speech on Strengthening Social Safety Nets in the Developing World. Either separately or as part of a broader speech on leveling up labor and environmental standards (see above under Building a New Consensus on International Trade), the President could articulate a U.S. strategy to promote implementation of basic social safety programs in the developing world. He could challenge the international financial institutions to play a more deliberate role in this area as part of their efforts to redeploy and better coordinate their energies and financial resources, particularly with respect to middle income countries that no longer require large amounts of official international financing and whose social safety nets proved woefully inadequate during the financial crisis. *Timing: September/October.*

UPCOMING CHALLENGES REQUIRING ADMINISTRATION RESPONSE

End of Fiscal Year. As the October 1 deadline for enactment of appropriations bills approaches, Hill Republicans will likely ratchet up the blame game, attempting to place the onus for appropriations deadlock on the President.

Emergency Agriculture Spending. As the President and Vice President have both noted, farmers have been hurting this year due to low prices, and the absence of a sufficient safety net in the Freedom to Farm Act has exacerbated their pain. In working with the Congress on emergency agriculture spending, we should emphasize the need to ensure additional spending is directed to those in the greatest need, and not according to existing formulas that would direct a large portion of the funds to large farms that are weathering the current situation. The NEC agriculture working group recommended a counter-cyclical income assistance program that would do just that. We should work to see that such a program is the most prominent feature of any emergency agriculture spending. *Timing: September*.

Computer Export Controls. Computer industry CEOs will be in town on January 20, 2000, asking for export relief again. This will be needed because of a new powerful microchip that Intel will be shipping called the Merced. In the announcement that the President made in July 1999, he agreed to a six-month review. An announcement in this area could show the President's continued commitment to maintain America's high-tech leadership while protecting our national security. NEC and NSC should start a working group process in September so that we can have a decision by January 2000. We should also consider getting a few computer industry execs cleared so that they can have classified discussion of long-term implications of Merced. *Timing: January 2000*

Encryption. The Administration should announce new steps to eliminate some restrictions on the export of encryption (e.g., 64-bit globally, unlimited exports to Europe, and exports of "recoverable" encryption to most countries and end-users). This will be particularly important if the House and Senate move legislation that is unacceptable to the Administration. *Timing: September-October*

Electricity Restructuring: Under electricity restructuring, state regulated utilities would no longer have the exclusive right to sell electricity in their geographic territories. Instead, consumers could purchase electricity from any generator that served their market, just as they currently choose their long distance telephone carrier. The bill is expected to generate $20 billion of savings and to provide important environmental benefits.

A. ***Timing.*** The Department of Energy submitted the Administration's bill to Congress on April 15th. Both the House Energy and Power Subcommittee and the Senate Energy Committee have held hearings, although there is more momentum in the House. Chairman Barton plans to mark up a bill by late September, and Chairman Bliley plans for the full committee to consider the bill shortly thereafter. There is little likelihood of a bill passing this year, but a small chance that one could pass before Easter 2000.

B. ***Responses.*** We are monitoring the bill's progress, and are working with Energy and committee staff as they move forward on the legislation.

C. ***Presidential Action.*** None.

Bankruptcy. In May, the House passed its bill 313 to 108, a margin sufficient to override a Presidential veto. Unless privacy or another unrelated issue sidetracks Senate floor debate, the bill is expected to pass the Senate by a comparable margin sometime this fall. The Senate Republicans have agreed to adopt on the floor an amendment on reaffirmations that we believe offers significant new consumer protections in this one area. It also will adopt an amendment providing limited new credit disclosures and protections, although far less than we believe is appropriate. However, if these provisions survive conference, they provide some balance to a bill that we have long criticized as grossly unbalanced.

A. ***Timing.*** Majority Leader Lott promised Senator Grassley that the bill would go to the Senate Floor the first week that Congress returns from recess if a time agreement can be reached. Democrats believe a time agreement is unlikely. If not addressed early when they return, it could be delayed until October.

B. ***Responses.*** We are exploring whether recent overtures present a genuine opportunity for some movement in our direction. Meanwhile, we are working with Democrats on amendments that would be difficult to oppose (e.g., exceptions for sympathetic debtors like victims of domestic abuse and displaced steel and agricultural workers).

C. ***Presidential Action.*** Given strong support from Democrats for the bill, we will not do anything more to escalate our public opposition and will avoid issuing a veto threat on the Senate bill. If the bill that results from Conference does not contain even the few improvements achieved in the Senate but commands strong support in both chambers, the President will have the option of allowing it to go into law without his signature.

Financial Modernization. The President has threatened to veto the Senate-passed version, which we believe would weaken CRA, limit choice in bank operating structure, and provide inadequate consumer protections. The Administration strongly supports the House bill, although we would like to see its financial privacy provisions strengthened and its weak medical privacy provisions eliminated. The Conference Committee has not begun serious deliberations. Everyone is waiting for a signal from Senator Gramm about how far he will be willing to compromise in order to get a bill that the President will sign. We are working very closely with House Banking Committee Republicans and Democrats and Senate Democrats as their views and ours are most closely allied.

A. ***Timing.*** Uncertain. Some believe that the Conference could last months, spilling over until next year. The Conference Committee is so large that effective negotiations will be difficult. Others expect that Senator Gramm will quickly put an offer on the table and a deal will be cut quickly with just a few around the table.

B. ***Responses.*** The Administration is taking every opportunity to reiterate that we will hold firm on CRA and choice in bank operating structure. There is some fear that our supporters might be too eager to compromise with Senator Gramm on our core concerns in order to get a bill. We have the option of elevating the public attention to the CRA and privacy issues, if need be.

C. ***Presidential Action.*** Nothing foreseeable at this time.

<u>Class Action Reform</u>. This bill is the highest priority of the industry tort reform coalition for this year. They hope to build on momentum from the Y2K bill, which contained comparable provisions for Y2K actions. The House Judiciary Committee completed mark-up of its bill, which could go to the House floor this fall. The Senate Judiciary Committee has held hearings, but Senator Hatch is reluctant to move the bill without stronger bipartisan support. Our allies (consumer groups and trial attorneys) will be looking for us to continue to demonstrate our strong opposition. We will continue to work to strengthen our case against the bill and find opportunities to express our concerns.

A. ***Timing.*** House floor action could come in September if there is time on the calendar. Senate mark-up is unlikely soon, unless additional Democratic sponsors are found or until after House floor action puts pressure on the Senate to act.

B. ***Responses.*** We will hold a series of outreach meetings with affected constituencies and State government groups that might be concerned about the federalism implications. We will work closely with Democrats in the House and Senate on strategy.

C. ***Presidential Action.*** We may reiterate last year's veto threat when the bill gets to the House floor. Nothing else foreseeable at this time.

EXECUTIVE AND OTHER NON-LEGISLATIVE ACTIONS

I. Building the New Economy and Advancing Technology

Technology Training for Tomorrow's Teachers. The Department of Education will soon be ready (after August 16th) to announce $75 million in grants to help train new teachers to use technology effectively. This is a key component of the President's Educational Technology Initiative, since getting schools connected to the Internet will not improve educational performance unless teachers can use technology in the classroom. Currently, Riley is scheduled to announce these grants sometime during an August 23-26 trip to California. The Department would like to announce the grants in August. The Vice President is not available. *Timing: Sometime in August*

White House Conference on the New Economy. We could bring together top economists to meet with the President and Vice President on this issue. High profile panelists such as Alan Greenspan and a substantive discussion of major, cutting edge issues would ensure significant press coverage. Topics could include the impact of information technology on productivity, the business cycle, and inflation; the changing relationship between unemployment and inflation; and the changing relationship between regulation and international trade. *Timing: open*

Research Funding in a Post-Cold War World. Although there is strong support for bio-medical research, there is little public or congressional understanding of the importance of investing in other research areas, such as physical sciences and engineering. In the past, DOD conducted much of the research in this area, but it has been cutting back on long-term research for the last ten years. The Administration needs to define and fund a set of research challenges for the 21st century (e.g., sustainable development) and the President could do so, just as he did at the MIT commencement in June 1998 in the context of the information revolution.

E-Society Initiative. In 1997, the Administration pulled together a set of public policy activities under the umbrella of "e-commerce." We believe that there is a value to organizing a similar effort on the social benefits and dimensions of the Information Revolution. By launching an "e-society" initiative, the President and Vice President can reinforce the message that the Information Revolution is not just about commerce, it is also about enabling Americans with disabilities to lead more independent lives, improving the way we educate our children, allowing adults to acquire new skills at a time, place and pace that is convenient for them, making government more open, efficient, and responsive, and expanding access to quality health care in rural communities. The Administration's budget makes significant contributions in this direction. We could potentially issue an Executive Order -- like the e-commerce EO -- to delegate the Administration's e-society agenda to the appropriate government agencies. *Timing: November-December*

II. International Economic Initiatives

Executive Order on Sanctions Reform. Sanctions reform remains a critical priority for our agriculture and business communities. The President could announce an Executive Order imposing discipline on the imposition of economic sanctions under executive authority to broaden our policy on food and medicine sanctions announced this past spring. This action could provide leverage for a broader deal for similar self-restraint by Congress. We have already indicated support for sanctions reform legislation sponsored by Dodd, and are attempting to work with Helms and Lugar on their alternative proposals. However, it appears that the Helms legislation, which is most likely to move, will not contain our key priority (freestanding national interest waiver authority for the President) and may be more restrictive of the Executive Branch than Congress. As a fall-back, we would issue the Executive Order, challenge the Congress to get their own House in order, and then work with the Congress on a food and medicine sanctions bill that parallels the President's recent policy change. (There is an Ashcroft/Hagel amendment on food and medicine sanctions attached to the agriculture appropriations bill). *Timing: September*

International Child Labor. The President recently sent the new ILO convention on the worst forms of child labor to the Senate. All indications are that Senator Helms and the Foreign Relations Committee will respond favorably to the convention, but there is no guarantee. We hope that Helms will hold hearings in September and move the Convention to the floor for advice and consent this year. We need to find a balance, pressing him to move forward without antagonizing him and making ratification more difficult. If the Senate gives its advice and consent, we can use the occasion of U.S. ratification to celebrate the President's leadership in efforts to eliminate abusive child labor. At the same time, we will be monitoring and pressing for full funding for our international child labor budget initiatives: (1) continued full funding ($30 million) for the ILO's International Program for the Elimination of Child Labor (IPEC); (2) $10 million in new funds for "Schoolworks!" – USAID's new program to help provide educational opportunities to remove children from abusive child labor; and (3) increased funding for customs and domestic child labor law enforcement.

Meet with Ex-Im and OPIC to Promote Manufacturing Exports. The President and Vice President could sit down with Jim Harmon at Export-Import Bank and George Munoz of OPIC to discuss everything that the two agencies are doing to address the global economic situation and to promote our initiative to boost manufacturing exports.

III. Protecting Consumers

Financial Privacy and Other Forms of Privacy. Through a radio address or Vice Presidential event, we could focus on privacy issues before Congress returns or around that time. We do not need to identify it with either the bankruptcy bill or financial modernization. However, it will create uncertainty about our intent in both contexts and raise our leverage without committing us to insist on it in any specific context. We would not be making much policy news -- as on May 4 when the President outlined our view and two weeks ago when Gensler reiterated it before the Senate Banking Committee. Our message would be that Congress has an opportunity this fall to provide financial privacy protections to Americans, and that with so much change in the financial industries and with new technologies, we should not let the opportunity pass to make clear that financial privacy is a high priority. *Timing: early September.*

IV. Addressing Key Industry Challenges

Balancing Industry, Consumer, and Environmental Interests in Biotechnology: We have the strongest biotechnology industry in the world – and enjoy enormous economic and environmental benefits. However, concerns about biotechnology are increasingly stymieing our agricultural trade, especially with Europe, and domestic environmental and consumer groups are becoming more critical and outspoken. Unless managed carefully, the biotechnology issue could grow to similar proportions as climate change. We are in the process of an Administration-wide review of our posture toward biotechnology that should culminate in the rollout of a coherent policy plan, following extensive consultation with key outside groups. We are considering addressing the consumer's right to know through voluntary labeling, placing greater emphasis on public education, and expanding scientific assessment in those areas where there are legitimate questions. On the trade side, given the strength of EU consumer antipathy, we are examining a shift in emphasis away from trade confrontation toward winning consumer acceptance through public education and science-based regulation. We will have to navigate a shift in our posture delicately, given strong Congressional interests in this issue and divisions among the diverse elements of our own industry. *Timing: late October.*

Strengthening the Domestic Oil & Gas Industry. In 1998 and early 1999, the oil and gas industry suffered unusually low prices. Small independent producers were hit particularly hard, and 50,000 jobs were lost. At the request of Secretary Richardson, the NEC initiated a process to identify steps to assist the industry. The industry is primarily interested in tax cuts, reduced environmental regulation, and greater access to federal lands -- each of which is opposed by the relevant federal agency. Moreover, OMB, CEA and Treasury believe that no real crisis exists, and point out that prices have rebounded. The President's decision to sign the Byrd/Domenici loan guarantee bill goes some distance in addressing the industry's concerns. Commerce will shortly send the results of a Section 232 trade investigation to the President that will recommend that we implement the existing national energy strategy, which was developed in response to an earlier Section 232 report on oil. We will need to determine whether we want to take additional steps to address DOE's concerns. *Timing: September-October.*

V. Other Initiatives and Announcements

School Modernization. There are more kids in school today than ever before. The growth of the school age population increases the need to build more new schools. In addition, existing schools are, on average, over forty years old and in need of modernization and repair. This is particularly true in urban and rural areas. The President's School Modernization proposal addresses this issue by providing tax credit bonds to help finance the building and repairing of over 6,000 schools. Representative Rangel, the House sponsor of the President's proposal, recently filed a discharge petition to force the House to consider this issue. The petition already has 190 of the 218 signatures necessary to force the House to vote on the issue. There are two upcoming opportunities to highlight this issue:

- On August 19th, the Department of Education will release the Baby Boom Echo report on the growing school age population.
- The labor movement has organized a series of school construction events throughout August, and has agreed to make school construction a focus on Labor Day. The President is scheduled to do a Labor Day school modernization at a site to be determined, near Camp David.

Domestic Child Labor Law Changes. We are analyzing with DoL legislation sponsored by Senator Harkin to enhance protection of child laborers in agriculture. Currently, U.S. law bars DoL from providing the same protections from hazardous work and from limiting hours of work for children in agriculture as they provide for children in manufacturing and all other workplaces. Administration support for this legislation now might prompt agricultural employers to oppose U.S. ratification of the ILO Convention on the worst forms of child labor, even though we argue that convention does not require any change in U.S. law for ratification. If, however, the Senate gives its advice and consent to the ILO Convention, we may then wish to announce our support for Harkin's bill, perhaps coupled with a budget initiative to fund training to allow children to work more safely on farms.

Domestic Agricultural Labor Laws. We *may* have an announcement about new policy on domestic agricultural labor laws -- but we probably want to spend a few months making the case that there is a problem, before we suggest the solution. Labor is working on a plan. *Timing: Fall*

Report on New Markets for Environment and Energy Technologies: The President's Committee of Advisors on Science and Technology (PCAST) has completed a report examining the development of energy and environmental technologies. The report concludes that trillions of dollars of investment in this sector will be made worldwide over the next 50 years, including over $100 billion in electricity generating capacity in developing countries over the next decade. This presents a giant export opportunity for U.S. companies. The report recommends $250 million in additional federal spending in FY 2001, ramped up to $500 million by FY 2005 in support of this effort. We could plan an event at which the President acknowledges receipt of the report, and announces that the FY 2001 budget will have funds to implement PCAST recommendations (DOE, USAID are ready to say this, according to OMB). The President could also challenge Secretary Daley to develop a plan to double environmental technology exports in 4 years, a challenge that he is prepared to accept. Industry leaders who helped draft the report (Bechtel, Hewlett Packard, Enron) would attend the event. This message is that we are supporting an effort to increase exports of new technologies, creating jobs for the 21st century in the process.

VI. Upcoming Economic Releases that May Provide Message Opportunities

August 17	CPI, Housing Starts, Industrial Prod & CU
August 19	Trade
August 25	Advance Durable Goods
August 26	GDP-II (rev)
September 2	Productivity
September 3	Employment numbers (August)
September 22	Surplus for FY99
September 30	Census: Income and Poverty Numbers
October 8	Employment numbers (September)

SBA Appropriations - Appropriations Strategy

Commerce, Justice, State
small compared to other agencies

will probably be in Omnibus Bill

1st priority - base funding, core #s

then policy initiatives

Strategy

lockup report language - not county or merits
think that SBIC programs already serving needs
legislation needs to make clear

vs. bill
language

technical assistance - gets the lowest ratio