Box 2

Cabinet weekly
Campaign finance
Campaign finance reform
Campus safety
Canada trade issues
Cattle tracking system
Cellular 911
Cellular phones
Charter buses
Charter education
Charter schools
Chemerinsky
Child care
Child care 2
Child care 3
Child care 4
Child care financing
Child custody
Child health
Child labor
Child nutrition
Child nutrition 2
Child offender
Children
Children after school
Childrens environmental health
Childrens presidential protection
Childrens national security act
Children nutrition
Children violence contact list
Child safety seats
Child support
Child tax cut
Child welfare
Church arsons
Civil commitment
Civil money penalties
Civil rights
Civil rights 2

THE WHITE HOUSE

WASHINGTON

April 7, 2000

MEMORANDUM FOR DISTRIBUTION

FROM: THURGOOD MARSHALL, JR.
Assistant to the President and Cabinet Secretary

SEAN P. O'SHEA
Special Assistant to the Cabinet Secretary

SUBJECT: Cabinet Activity Outlook

CABINET ACTIVITY OUTLOOK
April 10 - 16, 2000

The Department of Treasury

- On Monday, April 10, Secretary Summers will meet with CEOs to discuss permanent normal trade relations with China and address the Council on Competitiveness in New York City.
- On Tuesday, April 11, Secretary Summers will testify before the Senate Foreign Relations Committee on the Administration's vaccine initiative.
- On Wednesday, April 12, Secretary Summers will attend a breakfast with Senators to discuss Russia, address Representative Kennedy's Rhode Island Day, meet with Senator Roth, and meet with Michael Moore of the WTO.
- On Thursday, April 13, Secretary Summers will testify before the House Foreign Operations Subcommittee, hold a pre-G7 press conference, attend a White House Vaccines Meeting, and will meet with Chairman Greenspan.
- On Friday, April 14, Secretary Summers will meet with Russian Finance Minister Kasyanov and meet with Canadian Finance Minister Martin.
- On Saturday, April 15, Secretary Summers will meet with British Chancellor of the Exchequer Brown, German Finance Minister Eichel, and French Finance Minister Fabius; host the Spring Meeting of the G-7 Finance Ministers and Central Bank Governors; and participate in a post-G-7 press conference.
- On Sunday, April 16, Secretary Summers will participate in a meeting of the G-10 Finance Ministers and Central Bank Governors, address the International Monetary and Financial Committee, attend the Interim Committee luncheon, and attend a dinner hosted by World Bank President Wolfensohn.

The Department of Defense

- On Wednesday, April 12, Secretary Cohen will return from the Middle East.

Project exile
— [illegible]
— [illegible] 10 mil.

!

- Tues. Senate – gas tax
- Marriage penalty
- Use – surpluses
— Const – [illegible]
— [illegible]

The Department of Justice

- On Monday, April 10, Attorney General Reno will meet with Overseas Presence Advisory Council Meeting at the State Department.
- From April 13-14, Attorney General Reno will travel to Trinidad.

The Department of Interior

- On Monday, April 10, Secretary Babbitt will attend CAL-FED meetings.
- On Thursday, April 13, Secretary Babbitt will attend the DSCC Luncheon.
- On Friday, April 14, Secretary Babbitt will attend the Aspen Institute dinner.

The Department of Agriculture

- On Monday, April 10, Secretary Glickman will attend a event regarding the Hudson River with Secretary Cuomo in West Point, NY.
- On Tuesday, April 11, Secretary Glickman will address the National Association of Agricultural Journalists.
- On Wednesday, April 11, Secretary Glickman will address the National Agricultural Library Commemoration in Beltsville, MD.

The Department of Commerce

- On Monday, April 10, Secretary Daley will attend a New Markets Meeting, meet with Lili Wang, Vice Chair, Business Women's Network International regarding China, meet with the Sacramento Chamber of Commerce delegation at DOC, attend a Business Council Meeting regarding China, and interview with Andrea Mitchell of NBC regarding China/WTO.
- On Tuesday, April 11, Secretary Daley will testify before Senate Committee on Commerce, Science, and Transportation regarding China, meet with "Blue Dog" Democratic Members of Congress regarding China PNTR, and meet with UPS CEO and members of Congress regarding China PNTR.
- On Wednesday, April 12, Secretary Daley will attend a lunch with Members of Congress hosted by Representative Matsui regarding China PNTR.

The Department of Labor

- On Monday, April 10, Secretary Herman will host a National Skills Summit at Howard University.
- On Thursday, April 13, Secretary Herman will deliver the luncheon address at the Rainbow Push Coalition's 3rd Annual LaSalle Street Project Conference in Chicago.

The Department of Health and Human Services

- On Monday, April 10, Secretary Shalala will attend a World Bank Conference on Early Childhood Development.
- On Tuesday, April 11, Secretary Shalala will meet with the Health Minister for Brazil.
- On Wednesday, April 12, Secretary Shalala will attend Representative Kennedy's Rhode Island Day Celebration on the Hill and meet with MN Governor Ventura.

- On Thursday, April 13, Secretary Shalala will attend a meeting hosted by Representative Rangel with the New York delegation and meet with Gene Sperling and Secretary Summers.

The Department of Housing and Urban Development
- On Monday, April 10, Secretary Cuomo will deliver a keynote address to a conference on the Hudson Valley in West Point, NY.
- On Friday, April 14, Secretary Cuomo will attend a townhall meeting on Youth Violence in Memphis, TN.

The Department of Transportation
- On Monday, April 10, Secretary Slater will meet with Dr. Gro Harlem Brundland, WTO Director General.
- On Tuesday, April 11, Secretary Slater will meet with Secretary Albright to discuss interagency efforts regarding the Overseas Presence Advisory Panel.
- On Wednesday, April 12, Secretary Slater will deliver the luncheon address at the Intermodal Transportation Safety Data Conference in Arlington, VA and host a retreat for the DOT senior leadership team to discuss the FY2002 budget process.
- On Friday, April 14, Secretary Slater will travel to Laredo, TX to formally dedicate the U.S./Mexico "World Trade Bridge."

The Department of Energy
- On Monday, April 10, Secretary Richardson will deliver remarks to the Boston University School of Management in Boston, MA.
- On Tuesday, April 11, Secretary Richardson will testify before the Senate Interior Appropriations Committee and the Senate Energy and Natural Resources Hearing.
- On Wednesday, April 12, Secretary Richardson will attend the U.S.-South Africa Sustainable Energy Lunch and Meeting.
- On Thursday, April 13, Secretary Richardson will meet with the American Association for the Advancement of Science and deliver remarks to the Senior Executives Association Banquet.
- On Friday, April 14, Secretary Richardson will attend Wind Power events in Syracuse, NY.

The Department of Education
- Through Tuesday, April 11, Secretary Riley will continue his trip to East Asia in Bangkok, Thailand.
- On Friday, April 14, Secretary Riley will attend the annual meeting of the Education Writers Association.
- On Sunday, April 16, Secretary Riley will discuss school safety in a taping for the *Today* Show that will be aired during the week of April 20, the one-year anniversary of the shootings at Columbine High School.

The Department of Veterans Affairs
- On Wednesday, April 12, Secretary West will attend Rhode Island Day hosted by Congressman Patrick Kennedy on Capitol Hill. and a Retired Officers Association awards ceremony.

The Environmental Protection Agency

- On Tuesday, April 11, Administrator Browner will attend the Environmental Council of States Meeting in Philadelphia, PA.
- On Wednesday, April 12, Administrator Browner will attend the President's Environmental Youth Awards Ceremony.

The United States Trade Representative

- On Tuesday, April 11, Ambassador Barshefsky will deliver a speech on China PNTR to the National Democratic Woman's Club and meet with Fred Krupp, Executive Director of the Environmental Defense Fund.
- On Wednesday, April 12, Ambassador Barshefsky will meet with CEQ Chair Frampton and deliver a luncheon address to the U.S. Military Academy's 700 cadets on the importance of PNTR to America's national security.
- On Thursday, April 13, Ambassador Barshefsky will deliver an address at Harvard's Kennedy School of Government on PNTR, meet with the *Boston Globe* Editorial Board, participate in an afternoon radio call-in show, and discuss PNTR with the Boston Chamber of Commerce's Board of Directors.
- On Friday, April 14, Ambassador Barshefsky will give remarks on PNTR to Brandeis University and participate in a China-related high-tech event.

The Office of National Drug Control Policy

- On Monday, April 10, Director McCaffrey will meet with Juan Jose Pons, President of Ecuador's Congress.
- From April 11-12, Director McCaffrey will attend the American Methadone Treatment Association Conference and receive a Friend of Field Award in San Francisco, CA.
- On Friday, April 14, Director McCaffrey will be the opening speaker for National Youth Service Day.

The Small Business Administration

- From April 10-11, Administrator Alvarez will attend an SBA Field Management Conference in Savannah, GA.
- On Thursday, April 13, Administrator Alvarez will attend an 8(a) program meeting with White House Deputy Chief of Staff Maria Echaveste and House of Representatives Members Wynn, Clyburn, Roybal-Allard, Velasquez, and Underwood.
- From April 14-20, Administrator Alvarez will travel in China for a Congressional Delegation Visit.

The Federal Emergency Management Agency

- From April 10-14, Director Witt will attend NATO meetings in Brussels, Belgium.

The Office of Personnel Management

- From April 9-13, Director Lachance will address and attend the International Personnel Management Association symposium in Paris, France.

The General Services Administration

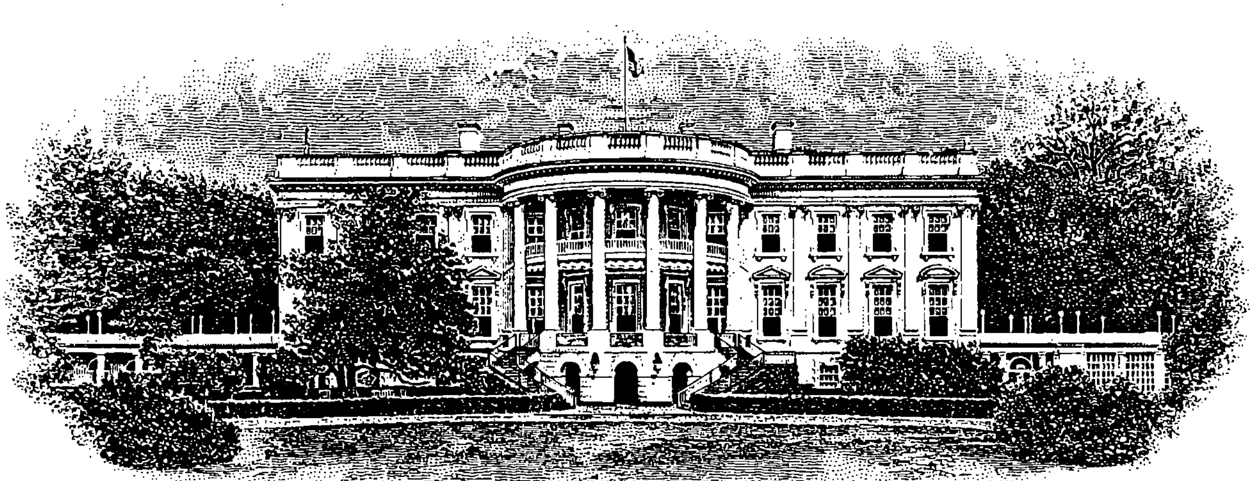
- On Tuesday, April 11, Administrator Barram will give an opening speech at the E-Gov Knowledge Management Conference, Alexandria, VA and speak at a telecommunications industry luncheon.

The Social Security Administration

- On Tuesday, April 11, Commissioner Apfel will testify before the House Committee on Ways and Means on the Social Security Statement.

Cabinet Briefing

The White House



PHOTOCOPY
PRESERVATION

experience

budget

health/education
soc. security/welfare

What happened to oil for radio address?

budget targets

- $4.7 bill [illegible] in education
- rejected Bush tax cut →
- $450 bill [illegible] – still large
- 15 [illegible] budget

freeze vs. our goals

THE WHITE HOUSE

WASHINGTON

CABINET BRIEFING
Thursday, March 16, 1999
The Roosevelt Room -- 9:30 a.m.

AGENDA

I.	Fiscal Year 2001 Budget
II.	Oil and Gas Prices
III.	China PNTR

OIL AND GAS TALKING POINTS

Our energy policy is based on:

* **market forces – not artificial pricing;**
* **diversity of supply and strong diplomatic relations with energy producing nations;**
* **improving the production and use of traditional fuels through new technology development;**
* **diversity of energy sources with long-term investment in alternative fuels and energy sources;**
* **increasing efficiency in the way we use energy;**
* **maintaining and strengthening our insurance policy against supply distributions – the Strategic Petroleum Reserve.**

These are the foundations of the Clinton Administration's policies – and over the long-term they work to provide affordable, secure supplies of energy.

* The Administration is very concerned about the impact of the recent price spike on consumers, businesses and truckers. When prices jump like this, there's little warning and you don't really have many options – you can't decide to switch fuel sources and fill your car or truck with coal instead of gas.

* We've been monitoring the situation carefully since we first saw indications of a problem in October and acting aggressively to address the problem.

* It's important to keep this price spike in context and not overreact with policies that will worsen the situation or create a different set of problems.

* When you adjust for inflation, today's gas prices are still less than they were in 1990 and 40% less than gas prices when they were at their peak in 1981. (October 1990 – $1.77 per gallon whereas today's average is $1.52.) And the economy is much less energy dependent that it was 20 years ago.

What's causing today's price spike...

* The problem we're facing today is low inventories caused by cutbacks in production by OPEC nations. We have low stocks at the same time the world is consuming 75 million barrels while producing only 73 million barrels.

* What we need to do is rebuild stocks, increase production and work to increase efficiency in the way we use energy. That means looking for oil producers who have what's called " excess capacity" – the ability to increase production immediately without additional drilling or exploration. And it means reducing the energy waste in our economy.

* Out of 5.5 million barrels of excess productive capacity in the world, 4.5 million barrels is in OPEC countries. Our efforts to address the near-term problem naturally take us to OPEC – we are going "where the oil is."

Our diplomatic efforts are working...

* The United States was out in front in recognizing the problem.

* Because of our efforts, we are no longer the lone voice calling for action – there is now a growing consensus among leading oil producers to increase production.

* Before the Administration's diplomatic efforts began, many energy producing nations believed there was no problem in the oil markets – that stock levels were adequate and the world's economy was not suffering.

* Secretary Richardson returned from a diplomatic mission to Mexico, Norway, Saudi Arabia, Kuwait and met with the minister from Venezuela with strong joint statements that reflected a common understanding that volatility is bad – that stability is in the interest of producing and consuming nations.

* The momentum continues – Kuwait – Saudi Arabia – Iran – Mexico – Norway – are now all saying they support production increases.

* So we're now in an environment where the question has gone from if or when to how much.

Markets should dictate prices...

* The Clinton Administration firmly believes that consumers – families, truckers, businesses – are best served when markets dictate prices.

* The price controls of President Nixon gave us gas lines and shortages.

* Allowing market forces to work – even when dealing with a cartel like OPEC – is the most effective approach over the long run. History has shown that when cartels limit production and raise prices, they lose market share.

* For example, since the U.S. government has taken a more market based approach, OPEC's share of world oil markets has fallen. Last year, we imported 4.85 million barrels of oil per day from OPEC, down 22% from the 6.19 million barrels of oil per day we imported from OPEC in 1977.

THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release **March 15, 2000**

STATEMENT BY THE PRESIDENT

Today, the Republican Congress took a first step on a risky budget that threatens to undermine the fiscal discipline that has lead to our current economic prosperity. The budget blueprint they have endorsed fails to strengthen Social Security or Medicare, takes us off the path to paying down the debt by 2013, and threatens to slash key priorities like education, law enforcement, and the environment. It was the wrong approach for America last year -- it is the wrong approach for America this year.

Republican leaders should work with me on a responsible budget that strengthens Social Security and Medicare, adds a prescription drug benefit, pays down the debt by 2013, and invests in education and other key priorities. Let's work together to meet America's long-term challenges and keep our economy strong.

30-30-30

Programmatic Impact of Congressional Budget Resolution

The President's budget provides significant investments in key priorities that are essential to our nation's future, including in education, law enforcement and science and technology. The Congressional Budget Resolution slashes these priorities. For example:

- Funding for **education,** training and social services would be cut by the resolution by $4.7 billion below the President's budget. Funding at these levels would make it impossible to reach the President's goals for critical programs:
  - to serve approximately 950,000 children in Head Start:
  - to provide urgent repairs for 5,000 schools;
  - and to hire 49,000 qualified teachers in public schools, essential to reducing class size.

- **Science and space** programs would be cut 6-percent from the President's budget curtailing critical investments in our nation's future. A reduction of this amount to NSF would result in 8,000 fewer researchers, educators, and students would receive NSF support, affecting the high-tech workforce and well-trained students needed for the Nation's future.

- The Budget Resolution limits funding for **law enforcement** $2.3 billion below the President's budget. At this level:
  - the number of FBI agents would be cut by 900 below the President's level;
  - the number of DEA personnel would be cut 850 below the President's level; and
  - no funding for the President's plan to add 430 INS border patrol agents.

- The resolution cuts funding for **income security programs for low-income American families** by 15 percent or $6.1 billion below the President's request.
  - Over 1.1 million low-income women, infants, and children would be cut from the **WIC** program.
  - Failure to provide requested increases for **assisted housing** could result in over 1 million low-income families losing their homes.

- Funding for **commerce and housing programs** including programs for small business, would be reduced by almost 18 percent below the request -- forcing cuts in the Small Business Administration and preventing loans to 9,000 small businesses.

The Congressional Budget Resolution cuts a total of $22 billion below the funding required to maintain current levels of service, resulting in untenable and unacceptable funding levels in many areas.

- Even though the nation is faced by rapidly increasing oil and gas prices, the Budget Resolution would cut funding for critical **energy** programs by 7-percent below a freeze. Reduced energy conservation funding would cut 4,500 low-income homes from receiving weatherization, compared to FY 2000.

- The allocation for **transportation** makes no provision for the $1.5 billion in added funding for the Federal Aviation Administration that would be required by the legislation passed this week by Congress to build and repair airports.

- The Budget Resolution would cut **International Affairs** spending by $2.5 billion below the 2000 enacted level, $3.1 billion below the President's request. These drastic cuts would jeopardize the safety of our diplomatic operations overseas, prevent the US from maintaining its commitments to International Organizations such as the United Nations, would jeopardize the safety of our diplomatic operations overseas, and would either require significant cuts to our assistance to the Middle East or eliminate US assistance in other parts of the world.

THE WHITE HOUSE

WASHINGTON

March 14, 2000

The Honorable John R. Kasich
Chairman
Committee on the Budget
House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

I am writing to express the Administration's deep concern that the majority in Congress is poised, once again, to propose a budget based on irresponsible tax cuts that would require deep reductions in key priorities, would jeopardize our ability to strengthen Social Security and Medicare, and would undermine our ability to pay off the debt by 2013.

The budget resolution you outlined last week proposed large and costly tax cuts based on the assumption that essential funding for domestic priorities -- including health care, the environment, science and technology, and law enforcement -- will be slashed by $24 billion dollars, the equivalent of a 10 percent across-the-board cut in these priorities. A 10 percent cut would have severe consequences:

> In law enforcement programs -- FBI reduced by 1,100 FBI agents and Drug Enforcement Agency reduced by 900 agents;
>
> More than 2000 air traffic controllers cut, forcing delays and reductions of air carrier operations at U.S. airports by 1.5 million flights (67 million passenger trips);
>
> EPA Superfund forced to eliminate funding for 25 ongoing federally led cleanups and all 15 new federally-led cleanups;
>
> National Science Foundation funded research, which supports our high-tech future, would be denied to more than 15,000 fewer researchers, educators and students; and
>
> 750,000 fewer low-income women, infants, and children would receive nutritional benefits from WIC.

Judging by the actions of Congress last year, it seems unlikely that these deep spending cuts would actually materialize. Therefore, your insistence on such a damaging and unrealistic budget would only increase the risk of dipping into the Social Security surplus and make it virtually impossible to strengthen Social Security and Medicare, and pay off the debt by 2013.

As the President has pointed out, the tax cuts you have already passed would use more than $443 billion of the surplus over the next decade -- this is more than half of the non-Social Security surplus -- before a single penny has been devoted to extending the life of Social Security and Medicare, adding a voluntary prescription drug benefit, or investing in education for our children. To make matters worse, Speaker Hastert and the Republican leadership have made it clear that this is only the beginning -- that your proposals will be at least as costly and irresponsible as the risky $792 billion tax cut that the President vetoed last year. Let me be clear -- the budget that you have outlined is the wrong approach for America.

The President 's budget takes a responsible and balanced approach. It not only protects the Social Security surplus for debt reduction, but also ensures that the interest savings from this debt reduction are used to extend the life of Social Security to at least 2050. In contrast, last year, Republicans in Congress proposed a so-called "lockbox" that failed to add a single day to the life of Social Security. I urge you to join us this year in making the simple, bipartisan commitment to use the benefits of debt reduction to extend the life of Social Security.

Our budget devotes more than half of the non-Social Security surplus to strengthening and modernizing Medicare, extending its life for a decade to 2025 and adding a badly needed prescription drug benefit. If the tax cuts you have already passed became law, we would not be able to afford these much-needed measures to strengthen and modernize Medicare. I urge you to join us in protecting a substantial portion of the surplus for Medicare.

Our budget builds on our record of fiscal discipline to pay off the debt by 2013. I know you have expressed your strong support for debt reduction. I urge you to produce a realistic budget that will actually result in paying off the debt over the next thirteen years.

And in the context of this budget based on fiscal discipline, the President has proposed substantial investments in key priorities like education and expanding health insurance coverage along with targeted tax relief to help reward work, make college more affordable, and lessen the costs of long-term health care. This is tax relief that will make a difference for working families. It is the kind of tax relief that Congress should consider this year.

We now have an historic opportunity. The economy is strong, the budget is balanced, and we have the chance to start down a path of real progress on Social Security, Medicare, and paying down the debt. Let's make the most of this moment by meeting the challenges of the future and working together for the American people.

Sincerely,

John Podesta
Chief of Staff to the President

cc: The Honorable John M. Spratt, Jr.

THE WHITE HOUSE

WASHINGTON

March 9, 2000

The Honorable C.W. Bill Young
Chairman
Committee on Appropriations
U.S. House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

The purpose of this letter is to provide the Administration's views on the FY 2000 Emergency Supplemental Appropriations Bill. The Administration is pleased that the Committee has acted expeditiously on the President's supplemental requests to keep the peace and build stability in Kosovo, to support the Colombian government's fight against drug traffickers, to provide needed heating assistance for families that have been badly affected by increased oil prices, and to provide further assistance to the victims of Hurricane Floyd.

The Administration does, however, have a number of concerns with the current version of the bill. As the House Appropriations Committee develops its version of the bill, we ask that you consider the Administration's views.

Plan Colombia

The Administration appreciates the House Appropriations Committee's support for U.S. assistance to Plan Colombia. Colombia is the source of more than 90 percent of the cocaine and 65 percent of the heroin seized in the United States. Cutting off the drug supply at its source is an important component of America's overall counter-drug strategy, and Plan Colombia, President Pastrana's strategy to address Colombia's national security, socioeconomic, and drug-related problems, presents the United States with a window of opportunity to further the United States' interests and increase stability in South America. The Administration also appreciates the Committee's support for the important human rights, alternative development, and governmental reform initiatives in Colombia. Congress' timely support of this initiative will help to stem the flow of drugs into the United States and will further benefit the United States by bringing greater peace and prosperity to an important American ally.

Support for Eastern European Democracies

The Administration appreciates the Committee's support for programs designed to foster democracy in Croatia, Montenegro, and Serbia. Similarly, the Administration appreciates the

Committee's support for funding our share of the costs of the international civilian police force for Kosovo. This force is critical to ensuring the safety of all citizens of Kosovo and equally important as the key to relieving our armed forces from the burden of police work.

The Administration acknowledges the Committee's concerns about equitable sharing among our international allies of the burden in Kosovo. We are working diligently to make sure that all of our partners meet their commitments. However, we believe those commitments will be met and, therefore, we strongly oppose the elimination of funding for critical programs to revitalize Kosovo's economy and civil society. Moreover, short-changing these programs would undoubtedly prolong the region's dependence on foreign aid and prolong the requirement for military force, including U.S. forces, to ensure the peace. Hand in hand with these programs is the requirement for adequate staff and facilities to safeguard these programs from misuse of funds and ensure they are run effectively. Therefore, the Administration requests that the Congress reconsider the reduction to administrative funds as well.

Contributions to International Peacekeeping

The Administration is particularly concerned about the lack of funding for expected assessments to support critical United Nations (UN) peacekeeping operations in Kosovo and East Timor. These payments are critical if we are to help restore peace to these troubled areas. These are bills we must pay. We have requested $91 million for the UN mission in Kosovo (UNMIK), which is performing an extraordinarily difficult but essential task of overseeing civilian administration until the people of Kosovo are able to assume that responsibility themselves. Our $16 million request for the UN mission in East Timor (UNTAET) would help the UN perform a similar mission to facilitate the transition of East Timor to full independence. The absence of full and timely U.S. payment of our assessments would severely impede the success of these missions. Having won important progress for democracy and stability in both of these areas, we should invest in their stability by paying our share of the cost.

Security and Maintenance of U.S. Missions

The Administration appreciates the resources provided to ensure the safety of Americans serving in Sarajevo by providing funding to construct a new, secure facility. However, the Administration is disappointed that no funding has been provided for other requested security and operational needs in Kosovo and the region, including exchanges that broaden the understanding of democratic political and economic institutions and cultures. The Administration urges the Congress to provide additional funds to ensure the security of our employees serving U.S. interests in Kosovo and to ensure the success of U.S. efforts to achieve lasting peace in the region.

Heavily Indebted Poor Countries Trust Fund

The Administration is concerned that the draft Committee bill includes none of the $210 million requested for a contribution to the Heavily Indebted Poor Countries (HIPC) Trust Fund to support the participation of regional development banks and other international financial institutions in the enhanced HIPC initiative. This initiative was a key outcome of the Cologne G-8 Summit and has broad international support as well as bipartisan support in the Congress, and is designed to ease the debt burden of strong economic reformers such as Mozambique, Uganda, and Bolivia. The failure of the United States to provide any funding for the HIPC Trust Fund would significantly restrict the ability of some of the International Financial Institutions (IFIs) to participate fully in this important initiative. This would delay the objectives of easing the debt burden and providing an incentive for the poorest countries to implement the macroeconomic and structural reforms necessary to improve their economic performance and increase their ability to address, with their own resources, critical social issues such as education and health. In particular, failure to provide these funds would jeopardize multilateral debt reduction for eligible Latin American countries, such as Bolivia.

Agricultural Assistance for Areas Affected by Natural Disasters

The Administration commends the Committee for including requested funds needed to address farmers' and rural residents' efforts to recover from Hurricanes Dennis, Floyd, and Irene. These provisions will allow funds to be used to replace damaged farm structures and equipment that are essential for producers to continue their operations in the coming year, and they will help producer-owned marketing associations recover from severe losses sustained in last years' hurricanes. In addition, the rural housing assistance in the bill will ensure that low-income rural residents who were displaced by the hurricanes have safe, decent, and affordable housing long after the temporary FEMA housing assistance expires.

Princeville, North Carolina

The Administration strongly urges the Committee to provide the $1.5 million requested for the Corps of Engineers to study the feasibility of providing additional flood protection for the city of Princeville, North Carolina and supports the amendment expected to be offered to provide such funding. Given the recent devastation this community has experienced, as well as its unique place in American history as the first city in the United States founded by ex-slaves, we need to move quickly to evaluate flood protection measures needed to protect this community adequately.

Economic Development Administration/National Oceanic and Atmospheric Administration

The Administration appreciates the funding provided by the Committee in response to the recent hurricane-related fisheries disasters and the Long Island Sound lobster fishery disaster. We urge that funding likewise be provided to address the West Coast groundfish disaster, as well as contingency funding for other disasters that may be declared.

Assistance to Vieques, Puerto Rico

We commend the Committee for providing the requested funding to implement the President's directives on Vieques. The training facility at Vieques is important to sustaining the readiness of our Naval forces, yet we cannot ignore the concerns of the inhabitants of Vieques. The Administration's plan will help balance national security with the legitimate health, safety, and environmental concerns of Vieques's residents. We look forward to working with the

Committee to ensure that the funding is spent effectively and efficiently in support of these goals.

Low Income Home Energy Assistance Program

The Administration commends the Committee for funding the President's request for $600 million in contingent emergency funds under the Low Income Home Energy Assistance Program (LIHEAP).

Federal Aviation Administration (FAA)

The Administration has requested authority to reallocate $39 million within FAA for FAA Operations, as well as language authorizing the Secretary of Transportation to transfer funds to Operations from other Transportation accounts. The requests are necessary to allow FAA to meet better the operational requirements of the air traffic control system, including addressing increased delays and maintaining safety and security. While it is possible that up to $26 million will be provided through the pending FAA authorization bill, we are disappointed that the House Appropriations Committee has not approved this high-priority supplemental requirement.

HUD Gun Buyback

The Administration strongly opposes the Committee's elimination of funds for the Gun Buyback Violence Reduction Initiative in HUD's Drug Elimination Grant program. The Gun Buyback initiative is designed to reduce gun violence and protect families from senseless gun tragedies. Particularly given the string of recent shootings, we need to give communities more tools, not less, to help reduce the terrible toll of gun violence in the United States. Getting unwanted guns out of homes and off streets could prevent the next murder, suicide, accidental shooting, or tragic incident of domestic violence. We strongly urge striking this rider and restoring this spending authority.

Rescission of Mandatory Research and Rural Development Funds

The Administration strongly opposes provisions that would block further spending from the mandatory Fund for Rural America and agricultural research grants authorized by the Initiative for Future Agriculture and Food Systems. These provisions would deny vitally needed funding to support economic development in rural areas, such as water and waste disposal grants and loans, farm labor housing, and outreach to socially-disadvantaged farmers. In addition, the bill would cut research on human nutrition, methods to improve farm efficiency and profitability, and food safety. These programs serve ends that are supported by the vast majority of both urban and rural Americans, and we urge the Committee to strike these provisions.

Department of Energy

The Administration urges the Committee to provide the $19 million requested for low-income home weatherization in the energy conservation account in FY 2000, as opposed to providing the funds in FY 2001 as specified in the draft bill. These funds are needed for building rehabilitation -- work that is best done before the heating season. In order to be helpful next winter, the funds would need to be disbursed to States this summer. If the funds are not available until October, there is little chance that they will make it to local service agencies and into weatherization improvements for the next heating season.

The Administration appreciates the Committee's provision of funds for: (1) environment, health, and safety activities at the gaseous diffusion plants in Portsmouth, OH, and Paducah, KY; (2) physical and cyber-security activities across the Department of Energy complex; and, (3) personnel and other funding at the Department's weapons production plants.

Restoring Budgetary Conventions

The Administration commends the Committee for approving the President's proposal to restore budgetary conventions by repealing the pay date delay, the Department of Defense prompt payment delay, and the Department of Health and Human Services obligation delays.

The Administration also proposes to replace FY 2001 advance appropriations, where such appropriations departed from budgetary conventions, with full, up-front funding in FY 2000. The Administration looks forward to working with Congress to shift those advance appropriation that are not required for programmatic reasons.

Other Funding Issues

- Critical Infrastructure. In the FY 2001 Budget, the President has requested an FY 2000 supplemental of $9 million to "jump start" some of his highest priority cyber-terrorism programs. This funding will be used to design and develop the programs in FY 2000 so that in FY 2001 they will be ready for full implementation. The Committee's elimination of the funding would delay these components of the Government-wide effort to protect the Nation's critical infrastructure.

- Internal Revenue Service. We strongly recommend that Congress fund the $40 million supplemental for the IRS staffing requested in the President's budget. The IRS has recently faced increased workload with reduced staffing, resulting in falling audit rates (threatening the level and fairness of tax compliance) and difficulty in meeting customer service standards. The President's budget addresses this issue by proposing nearly 3,000 new FTE in FY 2001 to stabilize IRS staffing as its modernization effort is implemented. The FY 2000 supplemental is necessary to begin hiring and training these personnel immediately so they can begin to deliver performance improvements as soon as possible.

- Small Business Administration General Loans. The Administration is disappointed that the bill fails to provide $5.1 million to address increased demand for 7(a) loans, including increased demand by businesses that have been particularly affected by rising oil prices, $1.0 million for the Program for Investment in Microentrepreneurs Act of 1999 (PRIME), and $0.5 million to help implement the Veterans Entrepreneurship and Small Business Development Act of 1999.

- Devils Lake. The Administration strongly urges the Committee to provide the $6.6 million requested to address emergency flood conditions confronting communities surrounding Devils Lake, North Dakota and supports the amendment expected to be offered to provide such funding. Extraordinary flood conditions persist in this area despite extensive Federal and State efforts to date, including over $300 million of Federal spending for flood response actions. These supplemental funds are critically needed for planning and design of an emergency outlet as well as to meet fully the requirements of the National Environmental Policy Act and other environmental laws and of the Boundary Waters Treaty of 1909, which must be completed before construction of an outlet may begin.

- Commission on Civil Rights. The bill does not provide the additional $800,000 requested for the Commission on Civil Rights, which would fund completion in FY 2000 of a number of research projects currently underway at the Commission, including reports on racial tensions Nationwide, Federal enforcement of the Americans with Disabilities Act, the crisis of African-American men in inner cities, and Federal enforcement of fair employment law.

- Committee for Purchase from People Who are Blind or Severely Disabled. The draft bill fails to fund the President's request of $687,000 for the Committee for Purchase from People Who are Blind or Severely Disabled, which administers the Javits-Wagner-O'Day (JWOD) Program. JWOD uses the purchasing power of the Federal Government to provide employment and training opportunities to approximately 34,000 people who are blind or have other severe disabilities. These funds would substantially expand marketing of JWOD products to Federal employees as a response to fundamental shifts in Federal acquisition of commercial-type products.

- National Technical Information Service. The Administration notes that the draft bill does not provide closure costs for the National Technical Information Service (NTIS). If actions are not taken in FY 2000, the strategy for handling NTIS's mission will need to be addressed in the context of legislation for FY 2001.

Language Issues

- Department of Education's Transfer Authority. The Administration objects to the draft bill's repeal of the Department of Education's authority in section 304 of the FY 2000 Labor/HHS/Education Appropriations Act to transfer between appropriations up to one percent of discretionary funds appropriated to the Department. Congress has routinely provided this flexibility so that the Secretary can respond to unanticipated events, and the Secretary has always promptly notified and consulted with the Congress before using this authority. The Administration strongly urges that this authority be retained.

- Plant Pest and Disease Assistance. The Administration opposes House report language that would direct the Secretary of Agriculture to submit simultaneously to the Congress and OMB copies of apportionment requests for funding to implement certain emergency declarations. The consideration of these apportionment requests solely within the Executive Branch is necessary for effective exchange of information and views, to the same extent and for the same reasons that apply to the intra-Administration development of the annual President's budget.

The bill also provides $40 million to compensate lost profits of growers affected by citrus canker in Florida. The Administration is concerned that the language appears to override the usual provisions guiding farm assistance, granting broad assistance to these producers. For example, unlike income assistance the Congress has provided in the last two years for other farmers, there would be no gross revenue eligibility determination or limitation on the size of payments. This could create disparate treatment for farmers and ranchers.

There are a number of unrequested funding items in the draft bill that the Administration does not feel are necessary. We would like to work with the Committee as the bill moves forward to address such items. In addition, we request that the Committee not add extraneous authorizations to the bill – particularly narrow, objectionable riders that would adversely affect the environment or serve only to generate controversy, unnecessarily delaying the urgently needed emergency assistance contained in this bill.

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

Sincerely,

Jacob J. Lew
Director

Identical Letter Sent to The Honorable David R. Obey

THE CLINTON-GORE ADMINISTRATION'S FY2001 BUDGET: MAINTAINING FISCAL DISCIPLINE WHILE INVESTING IN THE AMERICAN PEOPLE

When President Clinton was elected, he implemented an economic plan which consisted of restoring fiscal discipline, investing in people, and opening markets abroad. The Clinton-Gore Administration are submitting their eighth budget – and their fourth balanced budget. Like the previous budgets, this one not only maintains fiscal discipline but continues to make important investments in the American people.

FISCAL DISCIPLINE: CONTRIBUTING TO THE LONGEST EXPANSION IN U.S. HISTORY

President Clinton entered office determined to unleash the productive potential of the American people by putting the government's fiscal house back in order. As a result of fiscal discipline, interest rates have fallen and private investment has boomed, contributing to the longest expansion in U.S. history.

Record budget deficits have been erased. In 1992 the deficit was a record $290 billion and CBO projected that it would grow to $455 billion by 2000. Instead we have a projected $167 billion surplus, the third one is a row. *That is $622 billion less savings drained by the government in one year alone.*
The largest pay-down of debt in history: $297 billion. In 1998 and 1999, the debt held by the public was reduced by $140 billion. OMB is projecting that the government will pay down an additional $157 billion in debt held by the public this fiscal year. That will bring the total debt pay down to $297 billion – the largest three-year debt pay down in American history. In contrast, under Presidents Reagan and Bush, the debt held by the public quadrupled.
Smallest government in over three decades while increasing key investments in our people. Government spending has declined from 22.2 percent of the economy in 1992 to 18.7 percent of the economy in 1999 – the lowest share since 1966. At the same time, the government has made important investments, including nearly doubling investments in education and training.
Tax burden for typical families is the lowest since the 1970s. At the same time, the typical American family will shoulder the lowest Federal tax burden since 1978.
Investment has boomed. The benefits of fiscal discipline for our economy have been enormous. Interest rates are lower than they would have been otherwise, helping to fuel seven consecutive years of double-digit investment growth for the first time in our Nation's history. That is a 12.1 percent real annual increase in investment in business equipment and software since 1993 – compared to 4.7 percent annual growth from 1981 to 1992.
Unemployment is the lowest in a generation. The unemployment rate in January 2000 was 4.0 percent – the lowest in 30 years – and America has created 20.8 million jobs since January 1993, with 92 percent – 19.2 million – of these in the private sector. At the same time, the underlying core rate of inflation was 1.9 percent in 1999 – the lowest rate since 1965.

The longest economic expansion in history. The economy is entering its 107th month of economic expansion – the longest economic expansion in U.S. history.

A BALANCED AND FISCALLY RESPONSIBLE BUDGET

The Clinton-Gore Administration's FY2001 budget provides a balanced and fiscally responsible framework to eliminate the debt by 2013, strengthen the solvency of Social Security and Medicare, and invest in key priorities like health and education. Under the President's budget:

The debt would be paid off by 2013. President Clinton has proposed to use the entire Social Security surplus, $2.2 trillion over 10 years, for debt reduction. In addition, over the next 10 years he would dedicate $350 billion of the $746 billion non-Social Security surplus to debt reduction, with the vast majority of it being used to extend Medicare solvency. *That is nearly half of the non-Social Security surplus for debt reduction.* The President's budget is projected to pay off the debt held by the public by 2013, the first time America will have been debt free since 1835.

Discretionary spending would be kept at tight but realistic levels. The President's Budget is Based on a realistic, fiscally conservative plan that maintains our domestic priorities, including national defense, education, law enforcement, public health, the environment, and veterans programs. The President's budget precludes the use of emergency spending except in the case of truly unforeseen emergencies, and it makes sure that all spending is accounted for in the appropriate year. The budget proposes to keep the growth of spending slightly below the rate of inflation.

Medicare solvency would be extended for over a decade to at least 2025. The President's FY2001 budget dedicates $432 billion over 10 years – an amount equivalent to over half the on-budget surplus – to strengthen and modernize Medicare to prepare it for the health, demographic, and financing challenges of the 21st Century. It includes adding a long-overdue prescription drug benefit and sets aside $35 billion reserve to help pay for catastrophic drug costs.

Social Security solvency would be extended to at least 2050. The President would ensure that the benefits of the debt reduction that are due to Social Security are used to extend the life of Social Security. He would do this by devoting the entire Social Security surplus to debt reduction and then earmarking the interest savings from this debt pay-down to Social Security. These transfers would extend the life of Social Security to 2050. If a prudent portion of the transfers were invested for higher returns, solvency would be extended to 2054.

Health coverage would broaden. The President's budget also invests $110 billion over 10 years in a number of policies that would efficiently expand coverage to at least 5 million uninsured Americans and expand access to millions more by building on current options. Together with the State Children's Health Initiative enacted in 1997, 10 million uninsured people could be covered.

TAX RELIEF FOR WORKING FAMILIES

President Clinton and Vice President Gore proposing significant new tax relief for America's working families as part of a budget framework that maintains our fiscal discipline, makes investments in key priorities, strengthens the solvency of Social Security and Medicare, and pays down the debt by 2013. The President proposes $351 billion of gross tax cuts over 10 years – of which $256 billion are paid for out of the surplus and $96 billion are paid for with corporate loophole closers and other measures. Highlights of the tax package include:

Retirement Savings Accounts (RSAs). The President proposes a tax cut to provide generous and progressive incentives to encourage families to save and invest. (Cost: $54 billion over 10 years.)

Tax Incentives to Encourage Small Businesses to Offer High-Quality Pensions. The President would propose a 50 percent tax credit for employer's contributions to high-quality pensions. (Cost: $17 billion.)

College Opportunity Tax Cut. A College Opportunity Tax Cut to provide a choice between a tax deduction or a 28 percent tax credit on up to $10,000 in tuition in order to make college, graduate school, and courses taken for a job more affordable. (Cost: $30 billion.)

School Construction. Tax credits for $25 billion of bonds for the construction and modernization of up to 6,000 schools. (Cost: $8 billion.)

Earned Income Tax Credit. The President's budget would increase and expand the Earned Income Tax Credit to better reward work and family, reducing poverty for families with three or more children. (Cost: $23 billion.)

Marriage Penalty and Broad Tax Relief. The President's proposal would reduce the marriage penalty by increasing the standard deduction by more than $2,000 for married, two-earner couples. (Cost: $45 billion.)

Alternative Minimum Tax Relief. The President proposes to ensure that the Alternative Minimum Tax does not penalize large families who play by the rules. (Cost: $33 billion.)

Long-term Care. A $3,000 long-term care tax credit to compensate people with long-term care needs or their caregivers for the cost of care. (Cost: $27 billion.)

Tax Credits for Medicare 55-65 and Americans In Between Jobs. The President's budget would provide tax credits to help make his Medicare buy-in proposal affordable and to for people in between jobs. (Cost: $12 billion.)

Child Care. The President's proposal would expand the child care tax credit to defray up to 50 percent of expenses and make it refundable in order to help working families afford child care. (Cost: $30 billion.)

New Markets Tax Credit. More than double the proposed New Markets tax credit to spur $15 billion of private investment in New Markets. (Cost: $5 billion.)

Empowerment Zones. The President's proposes to extend and expand Empowerment Zone tax cuts and to give all Empowerment Zones the same wage and business tax incentives. (Cost: $4.4 billion.)

Better America Bonds. The President proposes to establish $10.75 billion of Better America Bonds to allow State, local, and tribal governments to borrow interest free in order to preserve green space, create or restore urban parks, protect water quality and clean up brownfields. (Cost: $3 billion.)

Energy Efficiency. In order to improve energy efficiency and help the environment, the President proposes $9 billion in tax credits for energy-efficient cars, homes, and appliances. (Cost: $9 billion.)

Philanthropy. Encouraging philanthropy by allowing non-itemizers to take a tax deduction for charitable giving, improving the tax treatment of foundations, and allowing larger donations of stock and assets by individuals. (Cost: $14 billion.)

MOVING FORWARD ON AN INVESTMENT AGENDA

Education and Training:
Largest Head Start Expansion in History. An increase in Head Start's funding by $1 billion – the largest funding increase ever proposed for the program – to provide Head Start and Early Head Start to approximately 950,000 children.
Universal After-School for Students in the Most Need. $1 billion in the 21st Century Community Learning Centers program to help ensure that every child in every failing school can have a safe place to learn during the after school and summertime hours.
Accountability Fund. An increase in funding from $134 million to $250 million to turn around failing schools.
Class Size Reduction. $1.75 billion – an increase of $450 million – to hire 49,000 teachers in our public schools.
Teaching to High Standards. A new $1 billion teacher quality plan to recruit, train and reward good teachers.
School Construction and Modernization. $24.8 billion in tax credit bonds to build or modernize up to 6,000 schools. And a new $1.3 billion initiative to provide urgent repairs for 5,000 schools each and every year.
College Opportunity Tax Cut. A $29.8 billion tax cut over the next 10 years to make college, graduate school, and job training more affordable for millions of families.
Increasing Support for College Access. A nearly $1 billion increase for initiatives such as the Pell Grant, SEOG, and Work Study programs.
Keeping Young People On Track for Success. An increase of more than $200 million for programs such as GEAR UP, TRIO, and College Completion Challenge Grants that prepare students to take full advantage of post-secondary educational opportunities.
Bureau of Indian Affairs (BIA) School Construction and Repair. $300 million, more than double last year's level, to replace and repair BIA-funded schools on reservations.

Child Care:
Tax Cuts to Enable Child Care. A variety of measures offering tax relief so that good child care becomes affordable for working families.
Helping Low-Income Families Afford Child Care. Expansion of the Child Care and Development Block Grant by $817 million in FY2001, enabling the program to provide child care subsidies to nearly 150,000 more children next year.
Largest Head Start Expansion in History. An increase in Head Start's funding by $1 billion – the largest funding increase ever proposed for the program – to provide Head Start and Early Head Start to approximately 950,000 children.
Promoting Early Learning. $3 billion over five years for the Early Learning Fund to help improve child care quality and early childhood education for children under five years old.

Health Care:
Addressing the Nation's Multi-Faceted Long-term Care Needs. A $28 billion, 10-year investment in long-term care, the centerpiece of which is a $3,000 tax credit for people with long-term care needs or their caregivers – tripling the credit over last year's proposal.
Patients Bill of Rights and Medical Privacy. Assuring the Quality of Health Care through a Patients' Bill of Rights and by Protecting Medical Privacy.

Preventing Medical Errors and Improving Quality of Care. Funds to improve medical errors prevention, patient safety research, and reporting and information dissemination.
Supporting Biomedical Research. Almost $19 billion, an increase of $1 billion over last year's funding level, for biomedical research at the National Institutes of Health.
Combating the Spread of HIV / AIDS and Other Diseases. A variety of initiatives to curtail HIV/AIDS and other diseases abroad and at home.

Environment:
Protecting our Environment and Public Health: Overall, President Clinton and Vice President Gore propose a record $42.5 billion in FY2001 – an 11 percent increase over FY2000 and a 36 percent increase over FY 1993 – to protect our natural resources, communities and families.
A Permanent Lands Legacy for America. $1.4 billion, the largest one-year investment ever in helping communities protect wildlife and open space; saving natural and historic treasures; and providing special assistance to coastal areas. In addition, the President is proposing a new, protected budget category to preserve this higher level of funding in future years.
Meeting the Challenge of Global Warming. The President is proposing $2.4 billion – a 42 percent increase – to combat global climate change, and $1.7 billion for scientific research into factors influencing climate and the likely consequences of global warming.
Protecting Forests and Biodiversity Around the World. $150 million for a new Greening the Globe initiative to help stem the loss of forests worldwide.
Building Livable Communities. $9.3 billion, a 14 percent increase, for the Administration's Livable Communities initiative to help communities grow in ways that enhance quality and strong economies.

Working Families:
Helping Low-Income Families Get to Work. The President's budget will make it easier for working families to own a reliable vehicle and receive food stamps by allowing states to conform their food stamp vehicle policy with a more generous TANF vehicle policy. The budget also proposes to double Access to Jobs transportation funding to $150 million to expand grants to communities to develop innovative public transportation solutions that help people get to work.
Helping Millions Move from Welfare to Work. Since January 1993, the welfare rolls have fallen by more than half, from 14.1 million to 6.9 million. Three years after enactment of the welfare reform law, the number of Americans on welfare is at its lowest level since 1969. The President and Vice President will continue these policies and work to see that the federal government fills its job openings with former welfare recipients when appropriate.
Ensuring Equal Pay. $27 million for the Equal Pay Initiative, an increase of $12 million over Fiscal Year 2000, to provide training and assistance to employers on how to comply with equal pay requirements, to launch a public service announcement campaign on wage issues, to train women in nontraditional jobs, and other measures.
Fathers Work/Families Win Grants. $255 million in new competitive grants to promote responsible fatherhood and support working families, critical next steps in reforming welfare and reducing child poverty.

Community Empowerment:

The New Markets Initiative. Significant new tax credits and loans guarantee incentives to stimulate $22 billion of new private capital investments in economically distressed communities and build a network of private investment institutions to funnel credit, equity and technical assistance to businesses in America's new markets. In addition, the budget proposes a new initiative, known as First Accounts, to provide low-cost bank accounts to working families.

Empowerment Zones. The President's proposes to extend and expand Empowerment Zone tax cuts and to give all Empowerment Zones the same wage and business tax incentives. The Administration will also fight for the full $150 million in annual funding for the Second Round of Empowerment Zones.

Creation of the Delta Regional Authority. $153 million for the creation of a new Delta Regional Authority to bring the resources of a Federal-state partnership to the fight for economic growth in the Mississippi Delta region.

Expanding Housing Vouchers. $690 million for 120,000 new housing vouchers to subsidize the rents of low-income families.

Encouraging Philanthropy. $14 billion over 10 years for a comprehensive package of new tax proposals to encourage philanthropy.

From Digital Divide to Digital Opportunity:

Private Sector Involvement in Bridging the Digital Divide: $2 billion over 10 years in tax incentives to encourage private sector donation of computers, sponsorship of community technology centers, and technology training for workers.

Teacher Training: $150 million to help train all new teachers entering the workforce to use technology effectively in the classroom.

Community Technology Centers: $100 million to create up to 1,000 Community Technology Centers in low-income urban and rural communities.

Public-Private Partnerships for Home Access: $50 million for a public/private partnership to expand home access to computers and the Internet for low-income families.

Research & Development:

Biomedical Research. $1 billion increase in biomedical research at the National Institutes of Health.

Nanotechnology. $495 million for the National Nanotechnology Initiative – an increase of 83 percent.

National Science Foundation. A $675 million increase in the NSF's budget – double the largest dollar increase in its history.

Safe Communities:

21st Century Policing Initiative. The initiative funds: 50,000 more police for our streets by FY2005; access for law enforcement to the latest crime-fighting technologies; collaboration between new prosecutors and local law enforcement; and public-private partnerships to prevent crime.

Stopping Crime by Stopping Drugs. $215 million – doubling current funding – to move more offenders off of drugs and away from crime.

Safe Schools. $250 million – a $100 million increase – for the Safe Schools/Healthy Students Initiative to help communities develop community-wide responses to school and youth violence.

Supervising Released Offenders: Project Reentry. $60 million for a community supervision initiative to create "reentry partnerships" and "reentry courts" to address community safety concerns, lower recidivism rates, and promote responsible fatherhood among offenders returning to communities.
Reauthorization of the Violence Against Women Act. The President's budget also includes $516 million to combat domestic violence.
Improving Law Enforcement in Indian Country. $439 million, an increase of $103 million over FY2000, for the Departments of Justice and Interior for the third year of the President's Indian Country Law Enforcement Initiative.
Largest National Gun Enforcement Initiative in History. $280 million for the largest national gun enforcement initiative in history, including funding for: 500 ATF agents and inspectors; 1,000 gun prosecutors; comprehensive crime gun tracing; a new national integrated ballistics information network; and local anti-gun violence media campaigns.
Funding Innovative Smart Gun Technology. $10 million to fund the expansion, testing and replication of "smart" gun technologies that can limit a gun's use to its adult owner or other authorized users.
Strengthening Brady Background Checks. Doubling funding to $70 million for improvements in state criminal history records and in the speed and accuracy of Brady background checks.

United States Leadership in the World:
Kosovo. $175 million for economic and democratic reform in Kosovo plus FY2000 emergency supplemental appropriations of $624 million to support the democratic opposition in Serbia, help fund the UN Mission in Kosovo (UNMIK), and improve security at U.S. diplomatic facilities in the region.
Southeast Europe Initiative. $428 million to promote the political and economic integration of the Balkans into Europe and into the global community and economy.
Middle East Peace. $1.8 billion from the Economic Support Fund (ESF) and $3.4 billion from Foreign Military Financing (FMF) to support the next phase of negotiations between Israel and its neighbors.
Expanded Threat Reduction Initiative (ETRI). $974 million to contain the spread of weapons of mass destruction (WMD) from the former Soviet Union and to promote stability.
Colombia Assistance. $954 million in FY2000 emergency supplemental appropriations plus $318 million in new FY2001 for drug interdiction in Colombia.
Debt Forgiveness. $600 million for a U.S. contribution to the Heavily Indebted Poor Country trust fund over three years, including a $210 million supplemental request in FY2000. The budget also includes $37 million for the Tropical Forest Initiative, to use debt relief funds in support of conservation.
AIDS/Vaccines. To combat AIDS and other infectious diseases, especially in the developing world, the budget proposes $100 million for AIDS prevention, $50 million for the Global Alliance for Vaccines and Immunizations, increased funding for vaccine research, and a new tax credit that will encourage the development of vaccines.
Expanding the Fight Against Abusive Child Labor. More than double combined investments in fighting child labor from customs enforcement to helping children move out of dangerous work situations and into schools.

America's Armed Forces:
Increased Funding. Discretionary funding of $292.2 billion in budget authority and $278.6 billion in outlays for 2001 to strengthen our armed forces, an increase in $11.3 billion over the proposed 2000 level and $4.8 billion over the 2001 level assumed in the 2000 budget.
Enhancing Military Readiness. The current high level of readiness is the Administration's top defense priority. Increased funding will enable the Services to support unit operations and joint exercises, meet their required training standards, maintain their equipment in top condition, recruit and retain quality personnel, and procure sufficient spare parts and other equipment.
Modernizing Weapons Systems. $60.3 billion for the procurement program, which is $6.1 billion more than the 2000 level, to maintain our status as the best equipped armed force in the world.
Developing Missile Defenses. $1.9 billion in 2001 for an National Missile Defense system plus $2.8 billion for other missile defense technologies and systems.

Restoring Fairness to Legal Immigrants:
Overall, $2.5 billion over five years to restore critical disability, health, and nutrition benefits to additional categories of legal immigrants.

Tobacco Policy:
A 25 cents per pack excise beginning in FY2001 to raise further the price of tobacco products from the 45-cent increase agreed to by the states and the industry in 1998.
$3,000 assessment charged to the tobacco industry for every smoker under age 18 starting in 2004 if youth smoking has not been cut in half and to remain in effect until the youth smoking reduction goal has been met.

Farm Safety Net:
Farm Safety Net for Family Farmers. Overall, an $11 billion package to strengthen the farm safety net through 2002, when the next farm bill will be enacted to repair the weaknesses of the 1996 Farm Bill.
Income Assistance. An estimated $2.5 billion for the 2000 crop and $3.1 billion for the 2001 crop on counter-cyclical farm income support payments.

Building One America:
Civil Rights Enforcement. $698 million – a 13 percent increase – for civil right enforcement agencies.
Ensuring Equal Pay. $27 million for the Equal Pay Initiative, an increase of $12 million, to fund a variety of measures aimed at reducing disparities of pay between men and women who perform similar jobs.
Hate Crimes. $20 million to train Federal, state, and local law enforcement to prevent and respond to hate crimes and to promote police integrity.
Native American Initiative. $9.4 billion – an increase of $1.2 billion – to fund school construction and repair and infrastructural upkeep on Indian reservations as well as budgetary increases for tribal colleges, the Indian Health Service, the President's Indian Country Law Enforcement Initiative, and other programs as well.

THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release March 14, 2000

PRESS BRIEFING BY
NATIONAL ECONOMIC ADVISOR GENE SPERLING
AND OMB DIRECTOR JACK LEW

The Roosevelt Room

12:25 P.M. EST

MR. LEW: We wanted to talk about the budget resolution and also what we understand it to be, and then to take some questions.

We believe that the budget resolution that they're planning to take up is fundamentally flawed, that in an effort to promote what we think is an irresponsibly large tax cut, it makes a number of untenable policy decisions. We don't believe that it leaves room for Medicare solvency on prescription drugs and coverage policies such as those that are in the President's budget, and we think it's a real threat to a host of discretionary priorities.

I wanted to spend a few minutes talking about the discretionary issues, and then Gene is going to talk some more about the tax and Medicare issues.

Overall, the discretionary levels that the resolution calls for are $10.7 billion below the 'OO program levels. Now, they've put in defense numbers, which are a little bit higher than the President's budget, which means they've protected defense off the bat. And that requires cuts of $19 billion against 2000 program levels.

They then protected a number of programs within all other discretionary spending -- education, veterans' health and a few others. Everything else that's left is cut by $24 billion, which is a cut of 10 percent from the 2000 program levels. That is a cut that has real consequences. It has consequences in law enforcement, in health care, in nutrition programs. I wanted to give you a few examples, and we're going to give you a document as some more examples.

Program level is not a technical term. Program level means how many kids and women are you serving in the Women and Infant Children program. If you're going to cut 10 percent from the current program level, that means 754,000 women and kids won't get WIC benefits.

And the FBI -- and one could use an example from any of the law enforcement agencies -- cutting program level means cutting people out of the active ranks. It means 1,200 FBI agents, 2,900 personnel overall. In EPA, you would have to shut down 15 out of 31 cleanup sites and you would have to give up 1,000 inspections. In the FAA, you would lose 2,000 air traffic controllers.

Even in the farm program, which is one of the protected areas, they argue the unprotected farm programs would mean a cut of $1.7 billion in farm loans. Now, I think these are just very, very serious consequences. The notion that this is a set of policies which won't cause damage we think is very much wrong. We think it's real damage, and we're going to fight it. We're going to oppose this policy because we think it's wrong.

I think some would argue, oh, it's not going to happen. Well, we don't look at budget resolutions that way. Budget resolutions reflect the amount of resources being given to the Appropriations Committee. The Appropriations Committee has to live within those resources and will have to make these kinds of cuts in order to put together bills that in total meet the budget resolution. This ought to be a debate about the policy that's being called for, and we think that the 10 percent cut program level is very real.

I would just say one other thing and then ask Gene to take over. On the mandatory side, I don't know the precise details. I've heard what you have heard in terms of the descriptions. You may have heard more than I have heard, but there seems to be a notion that there's something in the order of $40 billion set aside for some combination of things, ranging from prescription drugs to farm programs and I think a number of other things.

Just to put it in perspective, in the President's budget, our prescription drug policies, our health care coverage, our Medicare solvency and our farm mandatories are $80 billion. Forty billion as a set-aside doesn't come close to meeting the priorities that we have set forth. And I think the question has to be asked, if you're shrinking the pot, what are you giving up? What are you not going to do? You can't say you're going to do all of it, because it just doesn't fit.

Gene.

MR. SPERLING: Looking beyond the one-year at the five- and ten-year levels, I think there are also very major and serious issues of both fiscal discipline and being straightforward as to what the contents of their package is.
They continue to claim that they seek to protect education and protect the Social Security surplus, and yet, they're going to have this large tax cut.

First, we've seen -- I think Bob Greenstein has shown that even just looking at what has been passed so far, that before a single penny has been put away for Medicare or Social Security or education, that they have passed tax cuts that would drain the surplus by $443 billion -- $362 billion in tax provisions in $81 billion in lost interest. That's at least that much. That doesn't include the education, savings account initiative.

On top of that, there is a looming, unanswered question as to how excessive and explosive is the full contents of their tax cut proposal. Are they already draining over half the surplus, and yet have plans for even further excessive tax cuts to come? I think for the Republican leadership to give the American people an honest view of what their fiscal priorities are over the next five, 10 years, they have to be clear what their overall agenda is.

I think that it is -- I think if one looks at the overall agenda, it has come clear that it's an agenda that is geared towards large and explosive tax cuts at the expense of Medicare, Social Security, and a serious commitment to debt reduction. Let me just give an example. Obviously, tomorrow, you will -- or today, you will see the exact numbers on their surplus. But if you assume that they're going up by 2 percent in the Kasich plan that it's being increased by a 2 percent discretionary, they should have an on-budget surplus that, even with, we think, a far too tight discretionary budget, they would still have a surplus of around $73 billion on budget in 2005.

Now, by any definition of the tax cut of the presumptive Republican nominee, that tax cut alone should be about $140 billion, $150 billion in that year alone. Now, this is by anyone's figures. You can look -- there's $483 billion over five years. They claim it starts in 2002. They claim it's 80 percent phased-in by the 4th year, so I'm taking just as they have. If you did 80 percent, that would come out around $120 billion right there, but assuming the phase-in, it's probably more close to $140 billion, $150 billion. But either way, that tax cut alone of the presumptive Republican nominee, would take them $70 billion into the Social Security surplus alone. And that is not counting the unrelated tax cut that have already been passed.

So I think to know whether this is a fundamentally flawed budget or a completely dysfunctional budget that would significantly drain the Social Security surplus, the Republican leadership has to be clear on whether they are putting forth a package that is renouncing the tax cut of the presumptive Republican nominee for president, or whether they are renouncing their commitment to save the Social Security surplus and/or how they would cut another $70 billion, $80 billion in a single year out of defense and education and other defense priorities.

This is not an academic exercise. We're putting a budget resolution to look at what an overall framework is. Both sides are making claims about the long-term fiscal discipline of their initiatives, whether they can pay off the debt in a certain number of years whether they're saving enough for Medicare or Social Security.

I've never seen anything like this year. They kind of -- after two or three years of telling you how large their tax cut's going to be and then having the American public reject it, they're kind of playing hide-and-seek with the true size of their tax cut. They say, just look at this $150-billion tax cut alone, but please don't add it up with anything else. And, we're never telling you when this game is over, when is enough, how far we're going to go.

I think the most basic question is, are we looking at these tax cuts which already we think break the bank and would lead to serious cuts in key priorities? But we don't even know whether this is just the appetizer for a larger meal of excessive tax cuts for upper income

Americans that would make the framework they're putting out completely dysfunctional and a misrepresentation of their priorities.

MR. LEW: I'd just note that while we've been here, I think you've gotten a letter that John Podesta sent this morning to Chairman Kasich, which reflects what Gene and I have been saying. I hope you read it very closely and I just commend it to your attention.

Q Where do your numbers on these cuts come from? Because when you look at the CBO numbers that they put out last week in conjunction with their analysis of your report, it looks like 2000 spending for non-defense discretionary BA, which is what you've been using, is $280 billion for 2000. And they're proposing about $290 billion for 2000. That's just non-defense discretionary.

MR. SPERLING: Right.

Q So where do you -- what figures do you use --

MR. SPERLING: That they're saying it's $290 billion?

Q That's the Republican budget's non-defense discretionary BA proposal.

MR. LEW: That is below --

MR. SPERLING: We're agreeing with that.

MR. LEW: But that is below the current service level, and it's actually below a hard freeze level in terms of non-defense spending. I mean, a hard freeze for non-defense is $296 billion.

Q So, no matter how you measure it, it's less. You can't take the total that they have in the resolution, $596.5 billion, and put $306.8 billion into defense and be left with enough on all other non-defense discretionary.

MR. SPERLING: No, no, but you're saying it's $290 billion. And $296 billion would be a hard freeze, and $309 billion would be an inflation-adjusted freeze, so they're $19 billion below an inflation-adjusted freeze.

MR. LEW: You take $6.4 billion a hard freeze, $19.2 billion below an inflation -- a no real growth freeze.

Q What is the administration number on the nondiscretionary for your proposal?

MR. LEW: Our budget was --

Q In non-defense discretionary?

MR. LEW: Our level -- it was a little bit different than what CBO and -- I spent all morning looking at their numbers, so --

MR. SPERLING: It's either $314 billion or $316 billion. While Jack is looking, I do think that the point you go through each -- it seems like you go through the same exercise every year, which is, they impose a budget that would require serious cuts, and then they pick out a few areas where they want to protect themselves, which, of course, makes the cuts in everything else that much deeper.

At first blush, when you hear, oh, well, they say they're going to protect NIH or education, it sounds like, well, you're protecting some of the hot button kind of key issues. But what parts of the government is it that they're going to come out -- I mean, how about several -- just a few major examples of the places they're going to cut 10 percent in real terms? Air traffic safety? FBI? CDC? Agriculture? Other veterans' services? It's just --

MR. LEW: If you put it in contrast with what they're doing in the supplemental appropriations bill, in the supplemental -- give credit to the House Appropriations Committee. They're trying to clean up some of the gimmicks from last year, trying to make the numbers make some sense. There is no way that they're going to be able to write bills within these totals without either spending more money than they say they're spending, or doing very bad things. I think they've reached the limit of what you can do with these kinds of gimmicks without really undermining the whole process and I think the damage of these cuts is very real. And you've got to choose which way you're going to go.

We think that you have to take these numbers very seriously, because what I've heard from the appropriators is they're going to mark up bills that take these numbers very seriously. And if they're going to say otherwise, then they ought to say that before they do a budget resolution, not after.

Q Mr. Lew, you were whipping through the examples of the places where these aren't just technical terms, they're actual cuts. And I thought I heard you say that under the EPA, their budget would require shutting down 15 out of 31 Superfund sites?

MR. LEW: There wouldn't be enough money to support 31 cleanups.

Q Okay. So how would you -- again, it sounds like a small point, but why would you lose half of your cleanup sites, when you're only cutting 10 percent out of the budget?

MR. LEW: One can make any number of assumptions on how one spreads a 10-percent reduction in an agency. We're trying to give examples of what that means. If in the alternative, they want to do that much less enforcement, I would have just as clear an example of an unacceptable policy.

Any examples that are done based on a budget resolution require you to make assumptions. And I wouldn't pretend for a moment that the assumptions we make are the same as the exact decisions the appropriations committee would make. I think Gene's point from a moment ago is exactly right -- if these aren't the 10 percent cuts you'd make, which are the 10 percent cuts you'd make? You can't have the same size program with 10 percent fewer real dollars.

Q So just, then, to clarify, these aren't --

MR. LEW: These are indicative.

Q Well, these are and these aren't. But it sounds like, you sound like you're saying that these are actual 10 percent, across-the-board cuts. And maybe I'm misunderstanding your premise then.

MR. LEW: The Superfund program would be cut by $143 million if you did a 10-percent cut. And that would eliminate funding for all 15 new federally led cleanups, and 31 ongoing federally led cleanups. I may have actually understated the damage.

Q Can I get you to explain the 10 percent exactly? How you get to that 10 percent figure?

MR. LEW: Sure. When you take the total that they have of $596.5 billion, the first thing you have to do is pull out the $306.8 billion that they're saying goes to defense. Then there are a number of things which they say they're going to protect, and we have made an assumption about what protection means. And again, this could be something that they want to take issue with, but I think it's the only reasonable assumption we could make.

They say they wanted to protect education, so we said all functions having to do with education would be at the President's budget level. Now, they could say they don't want to be at the President's budget level, and that might give them a little bit more room. But we were trying to give them the benefit of the doubt in terms of what protecting means. NIH and VA medical care, we also assumed that they meant they would want to be at the President's budget level. When you subtract out those dollars from what remained of non-defense discretionary for 2001, it resulted in a $24 billion reduction from the freeze level, which is 10 percent.

And any of these assumptions one could argue with. I don't want to overstate the case. But then you're not really protecting NIH. You're not really protecting VA. If the idea is to protect it at the level we put out, that's what it means.

Q Wouldn't it be more accurate -- when they say protected, why would they use your level? I mean, wouldn't that be current levels?

MR. LEW: Well, the history of NIH and VA is that they've gone over us, not under us. So we were trying to be fair. I mean, Congress has appropriated more in those areas than we've requested in the past. So we thought to go less than our request would be to suggest that they weren't going to be where they were going to be.

Obviously, in a budget, any budget resolution debate, one has to use these kinds of assumptions. If they would challenge that, then the reduction would come down a percentage point or a percentage and a half. So you're talking about eight and a half or 9 percent instead of 10.

We weren't really trying to skew this. We actually were trying to take our best shot at what it meant to protect education, NIH and --

MR. SPERLING: And we could have said that they're just going to do an across-the-board cut in everything, this is unrealistic. And so we could have gone through each of what that would have meant, to do a 6 or 7 percent cut in education. We took them, obviously, they wouldn't be providing as much services with us if they did less.

But, look, the main point, though, is that -- the main point is that there never is a reply to these, because there can't be a reply, because they are not going to come and tell you, here is the 10 percent, you know, okay, we're going to cut the FBI 10 percent in this way -- what they are going to say is, we're not going to cut the FBI. But then the cut and everything else has to go deeper.

And this game gets played, this game gets played every year with the result being that either draconian cuts are jammed through in some areas because more popular areas get protected in the political process, or you see -- last year, where you have a disturbing amount of gimmicks and slights of hands and misrepresentations to the public.

MR. LEW: A year ago when we looked at their budget resolution, we said we thought it was a blueprint for chaos because we didn't think we could pass appropriations bills that would have those levels of cuts. You know, this year, they are saying, we're going to put a little bit more in. But the little bit doesn't get you to the point where you have acceptable policy levels.

At some point, it's a question of the policy that underlies the numbers, not the numbers themselves. If you really believe that you want to reduce how much we do by way of services we provide, then let's have a debate about that, let's be honest about it and let them stand up and say they want to do less of all this. But if they don't, then they shouldn't be doing a budget resolution that presumes that they can. We think that this is a choice that has to be made.

We're at a crossroads. And if they are going to send their appropriators out to write bills that require whether it is 8-1/2 or 10 percent cuts, we think the results will be very, very bad. And we think they are bad policy and why not have a debate on what the choices are?

MR. SPERLING: We've been through eight budget processes and we go through this agonizing process of seeing how much you can cut in different places and sometimes, you come in and you say, why are you a few billion over current services this year? Well, because we looked at everything we wanted to do, what all the priorities are. And when you have to look at those things, you're putting forward a budget that you know you can live with, detail by detail. What happens here?

There is a political decision made about how large of a tax cut needs to be, how large -- there is a political decision made about how large of a surplus is needed to support a tax cut and then the discretionary baseline is arbitrarily created without any regard to what is truly likely to happen or needed to have the government function or invest in people. And it is done simply to manufacture enough surplus to support a tax cut that's needed for political reasons. And everybody at this table knows that is exactly what happens every year.

Every once in a while, there has been somebody like Chairman Kasich or maybe some of the people in the Reagan administration before, who really had an agenda. They wanted to cut specific government programs, they wanted to eliminate departments, that was part of their explicit agenda. That's not even what's going on here. It is -- we think of it as being the new rosy scenario.

In the past, you inflated your growth numbers to create large enough revenues to support a tax cut that you needed to do for political reasons. Now, your new rosy scenario is you put an unrealistic amount of cuts in domestic priorities so that you can manufacture again an unrealistic amount of revenues to support a tax cut that you know is going to be reckless or infeasible in the future.

MR. LEW: The cuts applied by their long-term path grow substantially from 10 percent. They grow to 19 percent in the out years. I think you reach a point where they become preposterous in terms of the ability to actually implement them and at that point it is, exactly as Gene is saying, it's pretending. It's a rosy scenario so you can have the money available in the projections.

But we know what happens when you do that. You spend the money and then you find out that you didn't get the savings and you end up leaving the path of the fiscal policy, which we think has an awful lot of merit and we should stick to it.

Q I have another geeky question. They say --

MR. SPERLING: That's okay. It's the right crowd for that.

Q Within the $280 billion CBO scoring of non-defense discretionary for 2000, they say there is almost $9 billion of one-time domestic spending that they say we don't need to spend it on that stuff -- any more, so that frees up about another $9 billion that they can use on other discretionary programs. Do you contest that or are they saying something that's fair?

MR. SPERLING: I am not going to contest the fact that the -- that there are some things that don't recur from year to year. But one thing that I would kind of commend your attention to is look at the pattern of things that have come up over the last number of years which only mattered for that year. Each year, something has come up. I think to pretend that this is the year when nothing will come up that Congress needs to have that extra resource for, is not terribly realistic. Right now we're working on a sup, and while we're working on the sup things are developing that Congress feels the need to address, some of which we obviously felt a very strong need to address.

I think to say that we've reached the end of special needs is kind of wishful thinking. And that's before you end up with a natural disaster. I mean, there are -- in the defense budget this year, we proposed, and I believe Congress will accept, an increase to cover certain higher costs that they've had. Well, the alternative to not doing that is buying a smaller Defense program. Are they going to advocate buying a smaller Defense program? I don't think so.

Well, that wasn't there when we looked at the projections, and I think that that's about the same size as the census. So these examples, I think, prove less than they appear to.

Q Gene, can you talk about the $443 billion in tax cuts that they've already passed? What does that include? What does that exclude?

MR. SPERLING: Yes, that includes a $182 billion marriage penalty, and then the House -- and then $123 billion in the minimum wage, of which the main item there is the $79 billion in the estate tax relief. And then there's $103 billion in the bankruptcy bill, including long-term care deductions, small business, $103 billion.

There's a $49 billion in the House. That should add up to more than that. I think that the number comes from just doing the House alone. You do the $182 from the House, the $123 from minimum wage in the House, and then you do the patients in the House, and that will get you to $362. And then you lose $81 billion from the surplus, from debt reduction savings. So that loses a total of $443 billion in surplus. In fairness, Bob Greenstein first put this analysis of adding these up, so that does not duplicate the House and Senate.

If you added on the bankruptcy -- if you assume they were going to do the bankruptcy in the Senate, you would have another $100 billion, and remember -- I mean, nothing has passed on anything else yet -- before a single penny has passed on any major priority, there is anywhere from $400 billion to $500 billion, well over what we believe is half of the honest surplus left committed before we've even talked about the other priorities and before we've even heard whether they're going to accept or renounce the $1.4 trillion or $1.5-trillion tax cut of their presumptive presidential nominee.

Q Gene, you said marriage penalty, minimum wage --

MR. SPERLING: That is the patients bill of rights.

Q What was that?

MR. SPERLING: The $49 billion --

Q You're saying the fair five-year number to use is what, when you total it all up?

MR. SPERLING: That's 10 years.

Q Those are 10-year numbers?

MR. SPERLING: Those are 10-year numbers.

Q And what does that break down to?

MR. SPERLING: Oh, if it was five years, that would have been over the surplus. So, $362 billion in tax provisions, and $81 billion in lost interest in the House for a total of $443 billion. That's a 10-year number. And as you remember, the House -- the CBO number for available surplus using a current service-based line was $838 billion. So it would be over half of the surplus available already.

MR. LEW: Without any across-the-board tax cut, without any of the big -- I mean, this is just the small pieces.

MR. SPERLING: Over five years? That is $115 billion.

Q That includes interest? Did he break that down?

MR. SPERLING: Yes -- $103 billion and $12 billion.

Q Gene, is it the White House position that until you see this entire picture and understand what's going on, the President's not going to accept any tax cuts from the Republicans of any kind until you understand exactly what they're doing?

MR. SPERLING: I think -- let me say, we are not going to sign any tax cut measures that we think are going to threaten a fiscally responsible framework for dealing with Medicare, Social Security and debt reduction. I'm not going to try to answer every potential hypothetical that could come down the pike. Certainly, we're trying to work out a new markets -- a new community package and other things. I'm not going to -- I can give you our principal, I'm not going to try to answer every hypothetical.

MR. LEW: The purpose of the budget resolution is to try to make these tradeoffs clear, try to put everything on the table and to know where you're going.

I think it's kind of interesting that this budget resolution appears to be designed to blur the choices, to blur what the effect on the discretionary side is, to blur what the real cost of the tax provisions is. And that is not what you tend to do when it all adds up.

MR. SPERLING: Joel Johnson on our staff, his line was, it's like they've taken this huge, trillion-dollar tax cut and they just took out the staples, and they're just kind of handing it to you a page at a time, but they're kind of not telling you how long the book is, ultimately.

Q -- revenue side of the budget and the non-defensive discretionary side of the budget. There's an enormous chunk of the budget that both the White House and the Republican budget would be unchanged -- that's Social Security, Medicare, in terms of the broad programs. Are you disappointed at all that they did not choose to try and work fundamental reform or broader reforms, other than the prescription drug benefit --

MR. LEW: I don't think they've even put in the resources to deal with the prescription drug benefits and the coverage proposals that we have been advocating. I think that there is a reserve that is not big enough to satisfy all the things that it's being described as being for.

MR. SPERLING: Can I just give a general answer on that? Look, I mean, I think part of this is what your overall fiscal posture should be. We're in a situation -- the country is in a situation right now where we've had a dramatic turnaround in our fiscal situation, and a pretty significant turnaround in our long-term economic outlook.

But we still are talking about large projected surpluses into the future, projections, not things that have materialized in a state where we know that we still have a very large external debt, and that we have significant, long-term deficits in our two main retirement programs for the country.

And the overall perspective is, should your overall framework to be looking at a kind of -- with a first things first approach, with a presumption towards saving what are still projected estimates for dealing with long-term fiscal deficits the country will have to deal with at some point -- Medicare and Social Security and debt reduction, or should one seek to deplete surpluses which may exist, may be bigger, may be smaller; one doesn't know -- and just put off until another day, to another generation, the responsibility to dealing with long-term fiscal imbalances that you know exist now.

I think what President Clinton has had an enormous impact on in fiscal direction in the last two or three years -- from his Social Security first, or first things first approach -- is to put a focus on an orientation toward saving projected long-term surpluses for debt reduction, for dealing with Medicare, Social Security. And I think that it has been a significant achievement that since the summer of '98, there has been a big, almost an emerging consensus to now save the Social Security surpluses, at least theoretically. But you're still seeing budgets that are very risky, that are very explosive, that don't take in account the likely needs of the economy and, therefore, are likely to make even that one area of consensus a false promise on their point.

I cannot see, under these projections -- knowing that Medicare is supposed to become insolvent in the next 10, 20 years; knowing that we still have to deal with Social Security; knowing what the size of the across-the-board tax cut Governor Bush is proposing -- I do not see how one could look at this proposal and possibly believe that it is not going to significantly drain the Social Security surpluses, and be less pro-debt reduction than is being claimed.

MR. LEW: After the experience of the last several years, the notion that we can go from a 10 percent to an 18 percent program cut, and count those savings that flow from those assumptions, just doesn't strike me as being very credible. And if you don't believe it, then you're losing ground from where you were last year in terms of saving these surpluses.

Q Jack, you mentioned the supplemental. They've added some money to your request. Is that acceptable, the amount where it is now?

MR. LEW: We're obviously early in the process. They have also not funded things that need to be funded. I think we need to continue to work with them on the bill in many regards.

Q Is this all going to come down again to -- sorry, to October 30th again this year?

MR. SPERLING: Well, we're here.

MR. LEW: We're here, yes. (Laughter.) I think that it's going to be very challenging for the Appropriations Committees to do their work on a timely basis if this budget resolution is what they're given as instructions. I don't think that it reflects what most of the appropriators have said that they need to do their work. It doesn't reflect what we believe they need to do their work. And we are happy to get the work done sooner rather than later, but we're going to be debating policy. We're not debating numbers here. And in the end, we're going to be sitting, trying to get the programs that we think serve the American people funded.

Q Is this worse than last year's? I mean, you're $25 billion apart on what you're saying in discretionary spending. I mean, how does this rate? It doesn't seem like that much, does it?

MR. LEW: It's a significant gap. And I think I would just reflect on the last number of years that the kinds of decisions you're able to get a consensus for when you're looking at huge deficits is different than the kinds of decisions that Congress or we want to make, separately or together, when you're looking at big surpluses.

It's kind of a different challenge to ask the appropriators to cut very worthy programs when the real reason for cutting the programs is to make room for a tax cut as opposed to putting our fiscal house back in order. And I think that that's the reason this debate needs to be out in the open, about what the real choices are, and not to blur the choices, because you lose the benefits of the fiscal policy if you end up pretending you can have everything. And you do real damage to people if you impose cuts of this magnitude. So something's going to have to give.

MR. SPERLING: I think Jack makes -- I think he makes a good point there, which I think makes their budget very disappointing from my perspective in the following sense. I do think that over the last seven or eight years, there has been more of an ability to get very tight discretionary caps and stay pretty closely with them when the cause was a bipartisan cause to put our fiscal house in order.

I think even for ourselves, we had to look at our '97 Balanced Budget Agreement and say, in light of the fact that we're now in a situation of surpluses, we had to look at our budget, which was far more realistic than theirs, but even ask if we could justify a path that assumed as much tightness in the out-years as our '97 Balanced Budget Agreement did, a path done in the context of having the first balanced budget in decades. So here is where we have gone first and put out a clean budget, a current service budget that is certainly --

Q Cleaned up the gimmicks?

MR. SPERLING: Cleaned up the gimmicks that they had put in last year's budget. There certainly was a clean shot for them to come forward with a clean, realistic budget. And for them to just come back to the same old same old -- a bad rerun of a bad movie, it's just unnecessary. It was unnecessary and I think will not be in their interest as they get down to the end of the year and are trying to get out of town and are stuck with a very bad, unpopular, painful and unrealistic budget resolution.

MR. LEW: But it's not too late. I mean, this is the beginning of their budget deliberations. We're hoping that they make what we think are more sensible decisions.

Q Why haven't you used the phrase "risky tax scheme"? Is there significance -- (laughter.)

MR. SPERLING: I used "irresponsibly large." We're trying to just mix it up a little. You know? Golly.

Q But we like what we're used to. (Laughter.)

MR. SPERLING: You have permission. (Laughter.)

END 1:10 P.M. EST

THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release March 8, 2000

REMARKS BY THE PRESIDENT ON CHINA

Paul H. Nitze School of Advanced International Studies
Washington. D.C.

3:50 P.M. EST

THE PRESIDENT: Thank you very much, President Brody, Dean Wolfowitz. I thank all the members of our administration who are here -- Secretary Daley, who is coordinating our efforts in the Congress; Secretary Summers; Secretary Glickman. I want to say a special word of thanks to Ambassador Barshefsky and National Economic Advisor Gene Sperling who negotiated this agreement with China and run the last drop of blood out of it. And my National Security Advisor, Sandy Berger, I thank him for his great advocacy. Ambassador Holbrooke. To our OPIC President George Munoz.

I would also like to acknowledge the presence of a very important member of our economic team, Lael Brainard, because her mother works here at SAIS, and I want her mother to know she's done a good job. (Applause.) She may never speak to me again, but her mother will be happy. (Laughter.)

I want to thank all the distinguished people in the audience who care so much about China, and the faculty and the students here of this magnificent institution. And I want to thank my longtime friend, Lee Hamilton. If I had any respect for this audience, I would just ask you to wait five minutes, I'd run out and copy his speech, hand it to you. He said exactly what I wanted to say in about 2,000 fewer words (Laughter.)

I also want to say, President Brody and Dean Wolfowitz, how much I appreciate the involvement of Johns Hopkins and the School for Advanced International Studies in China, in particular, at this moment in history; and for giving me the chance to come here and talk about what is one of the most important decisions America has made in years.

Last fall, as all of you know, the United States signed the agreement to bring China into the WTO, on terms that will open its market to American products and investment. When China concludes similar agreements with other countries, it will join the WTO. But, as Lee said, for us to benefit from that we must first grant it permanent normal trading status -- the same arrangement we have given other countries in the WTO.

Before coming here today, I submitted legislation to Congress to do that, and I again publicly urge Congress to approve it as soon as possible.

Again, I want to emphasize what has already been said. Congress will not be voting on whether China will join the WTO. Congress can only decide whether the United States will share in the economic benefits of China joining the WTO. A vote against PNTR will cost America jobs, as our competitors in Europe, Asia and elsewhere capture Chinese markets that we otherwise would have served.

Supporting China's entry into the WTO, however, is about more than our economic interests. It is clearly in our larger national interest. It represents the most significant opportunity that we have had to create positive change in China since the 1970s, when President Nixon first went there, and later in the decade when President Carter normalized relations. I am working as hard as I can to convince Congress and the American people to seize this opportunity.

For a long time now, the United States has debated its relationship with China through all the changes, particularly of the last century. And like all human beings everywhere, we see this relationship through the prism of our own experience. In the early 1900s, most Americans saw China either through the eyes of traders seeking new markets, or missionaries seeking new converts. During World War II, China was our ally. During During World War II, China was our ally; during the Korean War, our adversary. At the dawn of the Cold War, when I was a young boy, beginning to study such things, it was a cudgel and a political battle -- who lost China? Later, it was a counterweight to the Soviet Union. And now, in some people's eyes, it's a caricature: Will it be the next great capitalist tiger with the biggest market in the world, or the world's last great communist dragon and a threat to stability in Asia?

Through all the changes in China and the changes in our perception of China, there has been one constant: We understand that America has a profound stake in what happens in China and how China relates to the rest of the world. That's why, for 30 years, every President, without regard to party, has worked for a China that contributes to the stability of Asia, that is open to the world, that upholds the rule of law at home and abroad.

Of course, the past that China takes to the future is a choice China will make. We cannot control that choice, we can only influence it. But we must recognize that we do have complete control over what we do. We can work to pull China in the right direction, or we can turn our backs and almost certainly push it in the wrong direction.

The WTO agreement will move China in the right direction. It will advance the goals America has worked for in China for the past three decades. And, of course, it will advance our own economic interests.

Economically, this agreement is the equivalent of a one-way street. It requires China to open its markets, with a fifth of the world's population -- potentially, the biggest markets in the world -- to both our products and services in unprecedented new ways. All we do new communications network that it's adding the equivalent of a new Baby Bell every year. Nationwide, China has seen the emergence of more than a million nonprofit and social organizations, and a 2,500 percent explosion of print and broadcast media.

But its economy still is not creating jobs fast enough to meet the needs of the people. Only about a third of the economy is private enterprise. Nearly 60 percent of the investment and 80 percent of all business lending still goes toward state-owned dinosaurs that are least likely to survive in the global economy and most likely to be vulnerable to corruption.

Much of China's economy today still operates under the old theory that if only they had shoveled coal into the furnaces faster, the Titanic would have stayed afloat. It is ironic, I think, that so many Americans are concerned about the impact on the world of a strong China in the 21st century. But the danger of a weak China was set by internal chaos and the old nightmares of disintegration. It's all so real, and the leaders of China know this as well.

So they face a dilemma. They realize that if they open China's market to global competition, they risk unleashing forces beyond their control -- temporary unemployment, social unrest, and greater demand for freedom. But they also know that without competition from the outside, China will not be able to attract the investment necessary to build a modern, successful economy. And the failure to do that could be even more destabilizing with more negative consequence.

So with this agreement, China has chosen reform, despite the risks. It has chosen to overcome a great wall of suspicion and insecurity and to engage the rest of the world. The question for the United States, therefore, is, do we want to support that choice or reject it, becoming bystanders as the rest of the world rushes in. The would be a mistake of truly historic proportions.

You know, as we debate about China here -- and we love to do it; it absorbs a great deal of our time and energy -- it's easy to forget that the Chinese leaders and their people are also engaged in a debate about us there. And many of them believe that we honestly don't want their country to assume a respected place in the world. If China joins the WTO, but we turn our backs on them, it will confirm their fears.

All I can say to you is that everything I have learned about China as President and before, and everything I have learned about human nature in over half a century of living, now convinces me that we have a far greater chance of having a positive influence on China's actions if we welcome China into the world community, instead of shutting it out.

Under this agreement, some of China's most important decisions for the first time will be subject to the review of international body, with rules and binding dispute settlement. Now, opponents say this doesn't matter, China will just break its promises. Well, any of you who follow these WTO matters know that China is not the only person that could be accused of not honoring the rules-making process. If any of you happen to be especially concerned about bananas and beef, you could probably stand up and give a soliloquy on that. And now we in the is to agree to maintain the present access which China enjoys. Chinese tariffs, from telecommunications products to automobiles to agriculture, will fall by half or more over just five years. For the first time, our companies will be able to sell and distribute products in China made by workers here in America, without being forced to relocate manufacturing to China, sell through the Chinese government or transfer valuable technology -- for the first time. We'll be able to export products without exporting jobs.

Meanwhile, we'll get valuable new safeguards against any surges of imports from China. We're already preparing for the largest enforcement effort ever given for a trade agreement.

If Congress passes PNTR, we reap these rewards. If Congress rejects it, our competitors reap these rewards. Again, we must understand the consequences of saying no. If we don't sell our products to China, someone else will step into the breach, and we'll spend the next 20 years wondering why in the wide world we handed over the benefits we negotiated to other people.

Of course, we're going to continue our efforts not just to expand trade, but to expand it in a way that reinforces our fundamental values and, for me, the way the global economic system must move. Trade must not be a race to the bottom, whether we're talking about child labor or basic working conditions or the environment. The more we avoid dealing with these issues, the more we fuel the fires of protectionism. That's why we'll continue our efforts to make the WTO itself more open, more transparent, more participatory, and to elevate the consideration of labor and environmental issues in trade.

But most of the critics of the China-WTO agreement do not seriously question its economic benefits. They're more likely to say things like this: China is a growing threat to Taiwan and its neighbors; we shouldn't strengthen it. Or, China violates labor rights and human rights; we shouldn't reward it. Or, China is a dangerous proliferator; we shouldn't empower it.

These concerns are valid. But the conclusion of those who raise them as an argument against China-WTO isn't. China is a one-party state that does not tolerate opposition. It does deny its citizens fundamental rights of free speech and religious expression. It does define its interests in the world sometimes in ways that are dramatically at odds from our own. But the question is not whether we approve or disapprove of China's practices. The question is, what's the smartest thing to do to improve these practices?

I believe the choice between economic rights and human rights, between economic security and national security, is a false one. Membership in the WTO, of course, will not create a free society in China overnight, or guarantee that China will play by global rules. But over time, I believe it will move China faster and further in the right direction -- and certainly will do that more than rejection would. To understand how, it's important to understand why China is willing to do what it has undertaken to perform in this agreement.

Over the last 20 years, China has made great progress in building a new economy, lifting more than 200 million people out of abject poverty; linking so many people through its

United States have been confronted with a very difficult decision, because they've made a decision that we think is plainly wrong, in an area that affects our export economy.

But I will say this: We're still better off having a system in which actions will be subject to rules embraced and judgments passed by 135 nations. And we're far more likely to find acceptable resolutions to differences of opinion in this context than if there is none at all.

The change this agreement can bring from outside is quite extraordinary. But I think you could make an argument that it will be nothing compared to the changes that this agreement will spark from the inside out in China. By joining the WTO, China is not simply agreeing to import more of our products; it is agreeing to import one of democracy's most cherished values -- economic freedom. The more China liberalizes its economy, the more fully it will liberate the potential of its people -- their initiative, their imagination, their remarkable spirit of enterprise. And when individuals have the power not just to dream, but to realize their dreams, they will demand a greater say.

Already, more and more, China's best and brightest are starting their own companies, or seeking jobs with foreign-owned companies, where generally they get higher pay, more respect, and a better working environment. In fits and starts, for the first time, China may become a society where people get ahead based on what they know rather than who they know. Chinese firms, more and more, are realizing that unless they treat employees with respect, they will lose out in the competition for top talent. The process will only accelerate if China joins the WTO, and we should encourage it because it will lift standards for Chinese workers and their expectations.

There's something even more revolutionary at work here. By lowering the barriers that protect state-owned industries, China is speeding the process that is removing government from vast areas of people's lives.

In the past, virtually every Chinese citizen woke up in an apartment or a house owned by the government, went to work in a factory or a farm run by the government, and read newspapers published by the government. State-run workplaces also operated the schools where they sent their children, the clinics where they received health care, the stores where they bought food. That system was a big source of the Communist Party's power. Now people are leaving those firms. And when China joins the WTO, they will leave them faster.

The Chinese government no longer will be everyone's employer, landlord, shopkeeper and nanny all rolled into one. It will have fewer instruments, therefore, with which to control people's lives. And that may lead to very profound change.

A few weeks ago, The Washington Post had a good story about the impact of these changes on the city of Shenyang. Since 1949, most of the people of Shenyang have worked in massive, state-run industries. But as these old factories and mills shut down, people are losing their jobs and their benefits. Last year, Beijing announced it was going to be awarding bonus checks to Chinese citizens to celebrate China's 50th anniversary under communism. But Shenyang didn't have the money to pay, and there was a massive local protest.

To ease tensions, the local government has given the people a greater say in how their city is run. On a limited basis, citizens now have the right to vote in local elections -- not exactly a democracy; the party still puts up the candidate and decides who can vote, but it is a first step. And it goes beyond Shenyang. Local elections now are held in the vast majority of the country's 900,000 villages.

When asked why, one party official in Shenyang said, "This is the beginning of a process. We realize that in order to improve social control we have got to let the masses have a say." Well, sooner or later that official will find that the genie of freedom will not go back into the bottle. As Justice Earl Warren once said, "Liberty is the most contagious force in the world."

In the new century, liberty will spread by cell phone and cable modem. In the past year, the number of Internet addresses in China has more than quadrupled from 2 million to 9 million. This year, the number is expected to grow to over 20 million. When China joins the WTO, by 2005, it will eliminate tariffs on information technology products, making the tools of communication even cheaper, better, and more widely available.

We know how much the Internet has changed America, and we are already an open society. Imagine how much it could change China.

Now, there's no question China has been trying to crack down on the Internet -- good luck. (Laughter.) That's sort of like trying to nail Jello to the wall. (Laughter.) But I would argue to you that their effort to do that just proves how real these changes are and how much they threaten the status quo. It's not an argument for slowing down the effort to bring China into the world, it's an argument for accelerating that effort. In the knowledge economy, economic innovation and political empowerment, whether anyone likes it or not, will inevitably go hand in hand.

Now, of course, bringing China into the WTO doesn't guarantee that it will choose political reform. But accelerating the progress, the process of economic change, will force China to confront that choice sooner, and it will make the imperative for the right choice stronger. And, again, I ask: If China is willing to take this risk -- and these leaders are very intelligent people, they know exactly what they're doing -- if they're willing to take this risk, how can we turn our backs on the chance to take them up on it?

Now, I want to be clear. I understand that this is not, in and of itself, a human rights problem. But, still, it is likely to have a profound impact on human rights and political liberty. Change will only come through a combination of internal pressure and external validation of China's human rights struggle. We have to maintain our leadership in the latter, as well, even as the WTO contributes to the former.

We sanctioned China under the International Religious Freedom Act last year. We're again sponsoring a resolution in the U.N. Human Rights Commission condemning China's human rights record this year. We will also continue to press China to respect global norms on nonproliferation. And we will continue to reject the use of force as a means to resolve the

Taiwan question, making absolutely clear that the issues between Beijing and Taiwan must be resolved peacefully and with the assent of the people of Taiwan. There must be a shift from threat to dialogue across the Taiwan Strait. And we will continue to encourage both sides to seize this opportunity after the Taiwan election.

In other words, we must continue to defend our interests and our ideals with candor and consistency. But we can't do that by isolating China from the very forces most likely to change it. Doing so would be a gift to the hard-liners in China's government, who don't want their country to be part of the world -- the same people willing to settle differences with Taiwan by force; the same people most threatened by our alliance with Japan and Korea; the same people who want to keep the Chinese military selling dangerous technologies around the world; the same people whose first instinct in the face of opposition is to throw people in prison. If we want to strengthen their hand within China, we should reject the China-WTO agreement.

Voting against PNTR won't free a single prisoner, or create a single job in America, or reassure a single American ally in Asia. It will simply empower the most rigid anti-democratic elements in the Chinese government. It would leave the Chinese people with less contact with the democratic world, and more resistance from their government to outside forces. Our friends and allies would wonder why, after 30 years of pushing China in the right direction, we turned our backs, now that they finally appear to be willing to take us up on it.

I find it encouraging that the people with the greatest interest in seeing China change agree with this analysis. The people of Taiwan agree. Despite the tensions with Beijing, they are doing everything they can to cement their economic ties with the mainland and they want to see China in the WTO.

The people of Hong Kong agree. I recently received a letter from Martin Lee, the leader of Hong Kong's Democratic Party, who has spent a lifetime struggling for free elections and free expression for his people. He wrote to me that this agreement, "represents the best long-term hope for China to become a member of good standing in the international community. We fear that should ratification fail, any hope for political and legal reform process would also recede." Martin Lee wants us to vote in favor of PNTR.

Most evangelicals who have missions in China also want China in the WTO. They know it will encourage freedom of thought and more contact with the outside world. Many of the people who paid the greatest price under Chinese repression agree, too. Ren Wanding is one of the fathers of the Chinese human rights movement. In the late 1970s, he was thrown into prison for founding the China Human Rights League. In the 1980s, he helped lead the demonstration in Tiananmen Square. In the 1990s, he was thrown in prison yet again. Yet, he says of this deal, "Before, the sky was black; now it is light. This can be a new beginning."

For these people, fighting for freedom in China is not an academic exercise or a chance to give a speech that might be on television. It is their life's work. And for many of them, they have risked their lives to pursue it. I believe if this agreement were a Trojan Horse they would be smart enough to see it. They are telling us that it's the right thing to do, and they are plainly right. (Applause.) Thank you.

So if you believe in a future of greater openness and freedom for the people of China, you ought to be for this agreement. If you believe in a future of greater prosperity for the American people, you certainly should be for this agreement. if you believe in a future of peace and security for Asia and the world, you should be for this agreement. This is the right thing to do. It's an historic opportunity and a profound American responsibility.

I'll do all I can to convince Congress and the American people to support it. And, today, I ask for your help. Thank you very much. (Applause.)

END 4:17 P.M. EST

The U.S.-China WTO Agreement Will Help Promote Reform, Accountability, and Openness in China
March 8, 2000

China's accession to the World Trade Organization will help promote reform, accountability, and openness in China. And voting to enact permanent Normal Trade Relations with China is the most significant immediate action we can take to move China in the right direction.

China's accession agreement will deepen and help to lock in market reforms -- and empower those in China's leadership who want their country to move further and faster toward economic freedom. In opening China's telecommunications market, including to Internet and satellite services, the agreement will expose the Chinese people to information, ideas, and debate from around the world. And China's accession to the WTO will help strengthen the rule of law in China and increase the likelihood that it will play by global rules. Many human rights activists and members of the foreign policy community agree that bringing China into the World Trade Organization will help move China in the right direction:

DEMOCRACY AND HUMAN RIGHTS ACTIVISTS

Martin Lee, Chairman of the Democratic Party of Hong Kong: *"The participation of China in the WTO would not only have economic and political benefits, but would serve to bolster those in China who understand that the country must embrace the rule of law, which of course is a key principle underlying active membership in global trade organizations... For those of us who have long pressed for vigorous adherence to the rule of law in China, it is encouraging that so many Chinese officials support the nation's entry into groups such as the WTO."* [Letter to President Clinton, 11/14/99]

Ren Wanding, Leader of the 1978 Democracy Wall Movement in China: *"Before the sky was black. Now there is a light...This can be a new beginning."* [Washington Post, 11/18/99]

Xu Youyu, Prominent Chinese Philosopher: Xu said the decision to join the WTO marked *"the first time in a long time that there seems to be a real direction"* in China's government. *"People always say China can never go back, but over the last 20 years, and even during the last year, we've taken a lot of detours. Now we have a clear direction....in the long run it will help."* [Washington Post, 11/18/99]

Li Ke, Former Chinese Editor of the Democratic Journal Fangfa: *"For so many years of China's reform and opening, these areas couldn't be opened up and remained state monopolies. But if economic monopolies can be broken, controls in other areas can have breakthroughs as well. These breakthroughs won't necessarily happen soon. But in the final analysis, in the minds of ordinary people, it will show that breakthroughs that were impossible in the past are indeed possible."* China's upcoming entry into the WTO is *"a New Year's gift for China as it enters 2000. It's a gift we never, ever thought we could get."* [Washington Post, 11/18/99]

Wang Shan, Chinese Liberal Political Scientist: *"Undoubtedly, [the China WTO agreement] will push political reform."* [The Boston Globe, 11/28/99]

Randy Tate, Co-Chair of Working Families for Free Trade, and Former Executive Director of the Christian Coalition: *"An isolated China will resist change at home and be likely to behave more aggressively towards its regional neighbors. None of that serves American interests. Admitting China into the WTO may not cause it to shed dictatorship for democracy. But it's the right step toward realizing that goal."* [Washington Times, 11/29/99]

FOREIGN POLICY COMMUNITY

Nicholas Lardy, Brookings Institution: *"The authoritarian basis of the [Chinese Communist] regime is gradually eroding, and if successfully implemented, this agreement will contribute to that."* [U.S. News & World Report, 11/29/99]

Jacob Fisch, Council on Foreign Relations: *"Bringing China into the WTO will encourage social and political change in China and help promote reform of its egregious human rights behavior. China's modernization has, until now, been greatly inspired and facilitated by interaction with the world community and will be greatly enhanced by WTO membership.... The impact of information technology on society and the life of the Chinese individual will become more pronounced....The organizational capacity of groups and the potential for clandestine exchanges will expand, and the repressive controls of the government will diminish."* [Los Angeles Times, 11/26/99]

David Lampton, Director of China Studies at Johns Hopkins' School of Advanced International Studies: *"The bottom line [is] that foreign involvement in China's economy inherently promotes better worker rights through dispute resolution in the factory, through involving workers more in management, through better working conditions, and so on. And so just the mere fact that the world is going to be more involved in the Chinese economy, I think, promotes human rights in both the broad sense and the specific sense."* [National Public Radio, 11/16/99]

EDITORIALS

The New York Times: *"The new agreement...paves the way for China to join the World Trade Organization, committing it to obey rules that apply to all other major trading partners....[T]he imposition of the rule of law on trade might strengthen the hand of domestic forces fighting for the rule of law for the rest of Chinese society."* [11/16/99]

The San Francisco Examiner: *"China's membership [in the WTO] gives this country a handhold to push for improvements in human rights, environmental conditions and labor standards."* [2/11/00]

The Dallas Morning News: *"Liberalizing trade would actually make China more democratic and less of a potential menace by exposing its people to foreign trends and ideas. Granting China permanent normal trade relations and admitting it to the World Trade Organization is not to reward a Communist power and regional hegemonist. It is to create the conditions for China's gradual evolution to democratic normality."* [11/21/99]

The U.S. – China WTO Accession Deal:
A Strong Deal in the Best Interests of America
March 8, 2000

China's Entry To The WTO Will Slash Barriers To The Sale Of American Goods And Services In The World's Most Populous Country. China's entry into the WTO will dramatically cut import barriers currently imposed on American products and services. This agreement locks in and expands our access to a market of over one billion people. China's economy is already among the world's largest and over the past 20 years has expanded at a phenomenal annual rate of nearly 10 percent. During this period, U.S. exports to China have grown from negligible levels to over $14 billion each year.

China Made Unilateral Concessions; We Would Simply Maintain The Market Access Policies We Already Apply To China By Granting It Permanent Normal Trade Relations. China made significant, one-way market-opening concessions across virtually every economic sector, including increasing access to its markets for agriculture, services, technology, telecommunications, and manufactured goods. China also agreed to eliminate "unseen" barriers, such as exclusive rights to import and distribute goods.

- **Agriculture Tariffs Will Be Cut By More Than Half On Priority Products.** On U.S. priority agricultural products, tariffs will drop from an average of 31% to 14% by January 2004, with even sharper drops for beef, poultry, pork, cheese, and other commodities. China will significantly expand export opportunities for bulk commodities such as wheat, corn, and rice, and it will eliminate trade-distorting export subsidies. Our producers may also export and distribute directly inside China for nearly every agricultural product without going through state-trading enterprises or middlemen. Sales in the Chinese market will be a boon to American farmers, who have recently faced tough times.
- **Industrial Tariffs Will Be Slashed.** Industrial tariffs on U.S. products will fall from an average of 24.6% in 1997 to an average of 9.4% by 2005. Considering that manufactured goods comprise a large proportion of American exports, the drop in Chinese tariffs is good news for our high-tech manufacturers and basic industries.
- **Right To Import And Distribute.** At present, China severely restricts trading rights (the right to import and export) and the ability to own and operate distribution networks, both essential to move goods and compete effectively in any market. China will phase in these trading rights and distribution services over three years, and also open up sectors related to distribution services, such as repair and maintenance, warehousing, trucking, and air courier services. This will allow our businesses to export to China from here at home, and to have their own distribution network in China, rather than being forced to set up factories there to sell products through Chinese partners. This is a top priority of U.S. manufacturers and agricultural exporters.
- **New Markets For Information Technology.** China will participate in the Information Technology Agreement and will eliminate tariffs on products such as computers, semiconductors, and related products by 2005. Our IT firms lead the world and stand to earn handsomely in this huge, expanding, and information-hungry market.
- **Broad New Access For American Services Like Telecom/Insurance/Banking.** The agreement also opens China's market for services. For the first time, China will open its telecommunications sector and significantly expand investment and other activities for financial services firms. And it will greatly increase the opportunities open to professional services such as law firms, management consulting, accountants, and environmental services. China also agrees to ensure the existing level of market access already in effect at the time of China's accession for U.S. services companies currently operating in China, protecting against new restrictions.

The Agreement Strengthens Our Ability To Ensure Fair Trade And To Protect U.S. Agricultural And Manufacturing Base From Import Surges, Unfair Pricing, And Abusive Investment Practices Such As

Offsets Or Forced Technology Transfer. Prior to the negotiations, Democrats and Republicans in Congress raised legitimate concerns about the importance of safeguards against unfair competition. As a result, no agreement on WTO accession has ever contained stronger measures to strengthen guarantees of fair trade and to address practices that distort trade and investment. This agreement addresses those concerns through:

- **A China-specific safeguard.** For the first 12 years -- in addition to the existing global safeguard provisions -- China has also agreed to a country-specific safeguard that is stronger and more targeted relief than that provided under our current Section 201 law. This ensures that the U.S. can take effective action in case of increased imports of a particular product from China that cause or threaten to cause market disruption in the United States. This applies to all industries, permits us to act basedon a lower showing of injury, and permits us to act specifically against imports from China.
- **Strong anti-dumping protections.** The agreement includes a provision recognizing that the U.S. may employ special methods, designed for non-market economies, to counteract dumping for 15 years after China's accession.
- **Requiring China to eliminate barriers to U.S. companies that cost American jobs.** For the first time, Americans will have a means, accepted under the WTO rules, to combat such measures as forced technology transfer, mandated offsets, local content requirements and other practices intended to drain jobs and technology away from the U.S. As stated above, we will be able to export to China from home, rather than seeing companies forced to set up factories in China in order to sell products there.
- **Provisions in WTO rules** that allow the U.S. – even when dealing with a country enjoying NTR status -- to continue to block imports of goods made with prison labor, to maintain our export control policies, to use our trade laws, and to withdraw benefits including NTR in a national security emergency.

Refusal To Pass PNTR Would Put American Farmers, Manufacturing, Workers At A Disadvantage. The United States must grant China permanent NTR or risk losing the full market access benefits of the agreement we negotiated, rights to enforce China's commitments through WTO dispute settlement, and special import protections. If Congress were to refuse to allow the United States to grant China permanent NTR, our Asian and European competitors would reap these benefits but American farmers and businesses could well be left behind.

China's Accession Will Help Promote Reform In China And Create A Safer World. The agreement will encourage Chinese leaders to move in the direction of meeting the demands of the Chinese people for openness, accountability, and reform. The agreement:

- **Deepens Market Reforms.** Obligates China to deepen its market reforms, empowering leaders who want their country to move further and faster toward economic freedom. This agreement will expose China to global competition and thereby bring China under even more pressure to privatize its state-owned industries and expand the role of the market in the Chinese economy. Chinese as well as foreign businessmen will gain the right to import and export on their own, and to sell their products without going through government middlemen.
- **Accelerates Removal Of Government From Lives Of China's People.** Accelerates a process that is removing the government from vast areas of China's economic life. China's people will have greater scope to live their lives as they see fit. In opening China's telecommunications market, including to Internet and satellite services, the agreement will over time expose the Chinese people to information, ideas and debate from around the world. As China's people become more mobile, prosperous, and aware of alternative ways of life, they will seek greater say in the decisions that affect their lives.
- **Strengthens Rule Of Law In China.** Obliges the Chinese government to publish laws and regulations and subjects pertinent decisions to review of an international body. That will begin to strengthen the rule of law in China and increase the likelihood that it will play by global rules as well. It will advance our larger interest in bringing China into international agreements and institutions that can make it a more constructive player in the world, with a stake in preserving peace and stability.

Enforcement of The U.S. – China WTO Accession Deal:
March 7, 2000

The U.S.-China WTO Accession Agreement Will Increase U.S. Leverage To Open China's Markets: Granting PNTR will give the United States broad new rights and strong mechanisms to enforce them. These WTO enforcement mechanisms are outlined below. At the same time, the Administration has already begun to identify and put into place tools that will bolster our existing monitoring and enforcement mechanisms.

The U.S.-China WTO Accession Deal Is Far-Reaching, Detailed, And Binding. China's accession to the WTO will lock in detailed commitments in virtually every sector, covering industrial goods, services, and agriculture. The Agreement also addresses non-tariff barriers like the lack of trading rights and distribution rights, and ensures that American workers and companies are protected from practices that injure U.S. industries, such as dumping and import surges. In this Agreement, China made unilateral, one-way concessions. The United States would simply maintain the market access policies we already apply to China by granting it Permanent Normal Trade Relations. China's broad commitments will be subject to enforcement by every WTO Member through binding WTO dispute settlement.

China's Commitments Will Be Enforceable Through WTO Dispute Settlement For The First Time. In no previous trade agreement has China agreed to subject its decisions to impartial review, and ultimately imposition of sanctions if necessary -- and China will not be able to block panel decisions. If China loses a dispute, it will have to change the offending practice, provide compensation, or be subject to denial of access to our market in an amount proportional to the harm it causes. The U.S. has been the most frequent user of the WTO dispute settlement mechanism, obtaining favorable results so far on 23 of the 25 complaints that we have initiated and that have been acted upon.

The United States Maintains The Right To Use The Full Range Of American Trade Laws: These include Special 301, Section 301, Section 201, and our antidumping laws, all of which continue to be effectively used to advance U.S. interests in a WTO-consistent manner.

The United States Will Gain New Leverage To Ensure Fair Trade And To Protect The U.S. Agricultural And Manufacturing Base From Import Surges, Unfair Pricing, And Abusive Investment Practices. No agreement on WTO accession has ever contained stronger measures to bolster guarantees of fair trade. This agreement addresses these concerns through:

Strong anti-dumping protections. The Agreement guarantees our right to use the special antidumping methodology we apply to non-market economies for 15 years after China's accession to the WTO.
A China-specific safeguard. For the first 12 years -- in addition to the existing global safeguard provisions -- China has also agreed to a country-specific safeguard that is stronger and more targeted relief than that provided under our current Section 201 law. This ensures that the U.S. can take effective action in case of increased imports of a particular product from China that cause or threaten to cause market disruption in the United States. This applies to all industries, permits us to act based on a lower showing of injury, and permits us to act specifically against imports from China.

Prohibitions on practices that can cost American jobs and technology. China will no longer require U.S. companies to transfer their technology in order for U.S. companies to export or invest in China. This will better protect U.S. competitiveness and the results of U.S. research and development. In addition, China will no longer require U.S. manufacturers to export as a condition for importing inputs, to use

Chinese-made parts for products sold in China, or to balance the value of their exports and imports, so as to prevent a net loss in foreign exchange. If existing contracts contain such provisions, China has committed not to enforce those contract requirements. In addition, China will not condition import approval or investment licenses on performance requirements, including offset and technology transfer requirements, or deny approval of imports or investment because there is a competing Chinese producer. This Agreement will make it significantly easier for American companies to export to China from the United States, rather than having to set up in China in order to sell products there.

China's WTO Commitments Will Increase Leverage For IP Enforcement. China has committed to implement the agreement on Trade Related Aspects of Intellectual Property Rights immediately upon accession -- with no transition period. TRIPS requires that a country make available enforcement measures and sanctions adequate to deter further infringing activity.

The U.S. Will Strengthen Its Enforcement Capabilities Through The Multilateral Nature Of The WTO. The accession will create a multilateral review mechanism to monitor all of China's implementation closely. And as these commitments come into effect, China will be subject to enforcement by all 135 WTO members, significantly diminishing China's ability to play its trading partners off against one another. In all previous disputes over Chinese compliance with agreements, notably those over intellectual property, the United States had to act alone. With China in the WTO, we will be able to work with 134 other members, many of whom will be concerned about the same issues we raise and all of whom will have the legal right to challenge China's implementation practices and seek redress.

The Specificity Of China's Commitments Will Help Ensure That China Complies. Experience with the Intellectual Property Agreements demonstrates that our agreements with China are enforced most satisfactorily when obligations are concrete, specific, and open to monitoring. Our bilateral Agreement therefore includes highly specific commitments in all areas -- including industrial goods, services, agriculture, and rules -- clear timetables for implementation, and firm end-dates for full compliance. These will allow us to carefully monitor China's compliance and present clear evidence of any failure to comply.

The United States Will Monitor Vigilantly And Enforce Aggressively. We are already preparing for an increased monitoring and enforcement effort through President Clinton's request for $22 million in new enforcement and compliance resources for USTR, the Commerce Department, USDA, and the State Department. The President is requesting resources for the largest monitoring and enforcement effort for any agreement ever, covering China's obligations in the WTO and strong enforcement of our trade laws.

Tripling resources for China compliance monitoring at the Department of Commerce: President Clinton's new initiative would triple resources dedicated to China trade compliance -- including administration of our unfair trade laws. The Department would more than double the number of compliance officers in Washington devoted to China to ensure effective enforcement of China's WTO accession commitments and other bilateral trade agreements.

Bolstering monitoring and enforcement efforts: The additional resources sought for the Office of the U.S. Trade Representative will strengthen its ability to ensure that the terms of our agreements are fulfilled. This initiative would create new positions in four areas of expertise -- legal, economic, geographic, and sectoral -- to be devoted to negotiating, monitoring, and enforcing trade agreements, and would significantly increase staff dedicated to China.

Monitoring compliance overseas: The new Commerce/State Overseas Compliance Program provides for trade experts to monitor compliance with international trade obligations and support enforcement of U.S. trade laws, such as those involving market access issues, subsidies, dumping, and other unfair trade practices. By strengthening our capacity to gather information "on the ground" in foreign countries, this initiative would help American businesses make the most of market access opportunities and facilitate the investigation of trade agreement violations.

Increased enforcement for American agriculture: The President's budget calls for providing additional resources to the U.S. Department of Agriculture to bolster its legal and technical expertise in areas covered by trade agreements and U.S. trade law. USDA monitors implementation of the WTO agreement's agricultural trade liberalization provisions and works with USTR to ensure compliance.

The Administration Will Continue To Work With The Private Sector, Congress, And China. We will continue our efforts to work closely with American workers, farmers, businesses -- and Congress -- to ensure effective monitoring and quick response. At the same time, we will seek to prevent or reduce problems by working closely with the Chinese, including through technical assistance where appropriate, to ensure they fully understand their new obligations. WTO rules will require real and meaningful changes in China's application of trade rules and policies, and consultation and training can head off problems.

The United States Will Maintain Strong Existing Laws. Nothing in this agreement undermines our commitment and ability to continue to block imports of goods made with prison labor, to maintain our export control policies, or to withdraw benefits including NTR in a national security emergency.