tobacco - civil liability

Clinton to Back Tobacco Firms On Suit Relief

By JEFFREY TAYLOR
Staff Reporter of THE WALL STREET JOURNAL

WASHINGTON — The Clinton administration for the first time will explicitly support granting the tobacco industry relief from potentially crippling lawsuits, according to congressional testimony to be delivered today by a Justice Department official.

"If there is agreement on a comprehensive bill that advances the public health . . . then reasonable provisions modifying the civil liability of the tobacco industry would not be a dealbreaker," David W. Ogden, counselor to Attorney General Janet Reno, says in testimony prepared for today's hearing of the House Judiciary Committee.

The testimony comes as civil-liability protections in the proposed $368.5 billion tobacco settlement are being attacked by prominent Republican lawmakers. It places President Clinton in the ironic position of supporting something the tobacco industry wants badly — and once assumed it was most likely to get from its Republican allies in Congress.

The proposed settlement contains important legal benefits for the industry. These include an annual cap on legal payouts, starting at $2 billion and growing to $5 billion; a ban on class-action tobacco lawsuits; and immunity from punitive damages in lawsuits alleging past misconduct.

The House Republican leadership has said it intends to approve tobacco legislation in this congressional election year, but hinted that it may be narrower than the proposed settlement.

In his testimony, Mr. Ogden offers the administration's first detailed discussion of the settlement's liability protections, defending some of them and offering suggestions to change others. Rather than eliminate punitive damages for past misconduct, for instance, Congress could cap awards or allow them in cases "based on facts not disclosed by the tobacco manufacturers to Congress and the public," according to the testimony.

Mr. Ogden also suggests that Congress consider raising the annual cap on industry legal payouts from the $2 billion-to-$5 billion level in the settlement. He also suggested that Congress force the industry to share its "calculations and research" about the financial needs of "those injured by tobacco products."

Lawmakers of both parties have complained that the ban on class-action lawsuits could deprive individual smokers of their courtroom clout. Mr. Ogden proposes that Congress, if it approves the class-action ban, consider adopting measures that "improve injured tobacco users' access to justice." He doesn't specify them, but some lawmakers are discussing a settlement fund in which smokers could file claims for damages without litigation.

Albright Urging Congress To Back Resolution on Iraq

By a WALL STREET JOURNAL *Staff Reporter*

WASHINGTON — A day after returning from a trip to Europe and the Middle East, Secretary of State Madeleine Albright is encouraging Congress to pass a resolution supporting the Clinton administration's insistence that Iraq comply with United Nations' resolutions.

At the same time, President Clinton underscored that "All of us would prefer a genuine diplomatic solution." But, he added: "I will say again, one way or another, we are determined to deny Iraq the capacity to develop weapons of mass destruction and the missiles to deliver them." Defense Secretary William Cohen leaves tonight on a trip to Germany, Russia and the Persian Gulf region to discuss the crisis.

Ms. Albright met yesterday with House Democrats and is expected to return to Capitol Hill today to meet with Senate Democrats and Republicans.

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tenor of the dinner was "correct," according to Mr. Pike, with each side spelling out its stand. By the end of the meal, Mr. Boozell says, they had a compromise in sight, and he set to work drafting a resolution for the NAIC to consider.

In the ensuing months, Ms. Musser made three trips to the headquarters of the independent insurers' association for private meetings with its directors.

Making Concessions

It took a year of discussion and fine-tuning before the budget resolution was finally debated at the NAIC's spring meeting in June 1997. At the meeting, Jim Long, North Carolina's insurance commissioner, tried to persuade fellow regulators to defeat the resolution, accusing the NAIC of "cozying up" to the industry. He warned that the "resolution will take the NAIC back to the days when we were dominated by industry advisory committees." He was outvoted 32-15.

Insurers say they won significant concessions. At a recent NAIC budget hearing in Kansas City, S. Roy Woodall Jr. of the American Council of Life Insurers announced: "Our companies are very well-pleased." Says J. Robert Hunter, former Texas commissioner and now head of insurance for the Consumer Federation of America: "The boycotters won."

Ms. Musser, however, says the changes were matters of little significance or were readjustments the commissioners favored on their own. "A lot of things were in fact mutual goals," she says.

The commissioners agreed to "minimize" the use of the database fees for anything other than operating the solvency database. While they set no specific limit on cross subsidies, the accord had an immediate impact on the organization's spending on market regulation—the monitoring of companies' sales practices and the way they handle claims. The category was cut to 11% of expenditures in 1997 from more than 20% in 1996. The resolution also established a task force, headed by Mr. Boozell, to look into reducing the fees paid by the biggest companies.

Mr. Duncan says the understanding reached in the conversations that began at Nick's also gives the industry a formal role in the regulators' deliberations: The NAIC established an industry committee that now meets jointly with the regulators' own executive committee quarterly. In addition, he says, the leadership agreed to hold an annual hearing at which industry representatives would be permitted to grill commissioners on each item in the budget.

Abandoned Projects

Because of industry opposition and the fee boycott, the NAIC had already abandoned its project for a national study on redlining. It jettisoned plans to require car and homeowners insurers to report claims data by zip code, which would have enabled closer review of rates and sales practices. It halted the effort to establish a computer system that would require insurers to file new policies and rates electronically. (Recently, a sharply scaled-back proposal has surfaced, to create an optional system that would be partly owned and controlled by the industry.)

To replace a staff director the industry viewed as unfriendly, the NAIC hired a former lobbyist for Liberty Mutual Insurance Co., Catherine J. Weatherford. The NAIC chose her because commissioners believed she would work more closely with industry groups than her predecessor, says Lee Douglass, a former NAIC president who was on the search committee. Ms. Weatherford, who earlier had been Oklahoma insurance commissioner, counters: "I'm here because I believe in public service and consumer protection."

Meanwhile, the staff has experienced heavy turnover. Mr. Douglass characterizes the exodus as a "purge" that removed "a lot of good people and a lot of technical expertise." Ms. Weatherford blames many of the defections on an extremely strong market in Kansas City for trained computer personnel. But some say they quit because, with the abandonment of major projects, they no longer had anything to do. Daniel J. Atkisson, formerly the head of statistical research, says, "I left principally because there was no longer enough interest in the statistical area to justify my being there."

Critics such as Mr. Hunter of the Consumer Federation and Kevin P. Hennosy, a former NAIC staff member who now heads a nonprofit insurance-research organization that often disagrees with NAIC policies, say that from consumers' standpoint, the timing of the changes couldn't be worse. They say commissioners have retreated at the very time the insurance industry is undergoing transformations that make it much more difficult for individual states to regulate on their own.

Global Risks

Thousands of companies now do business across state lines, with more than 500 major companies operating in all 50 states. With globalization, insurers are taking on overseas risks state regulators may not be suited to assess. Consolidation is creating multibillion-dollar giants that are harder for any one state to supervise. Rapid change in financial markets, including the invention of more-complex securities, has made assessing companies' investments—and hence their financial health — more difficult.

And as the industry changes, state insurance departments stagnate. Rating service A.M. Best Co. recently reported that the 50 states combined spend on insurance regulation less than one-third of what the federal government spends annually to regulate the banking industry.

David B. Simmons, the previous NAIC staff director who left in 1996 while under attack from insurers, complains that the NAIC is pulling back from helping states improve regulation of sales practices at a time when illicit practices have become a major issue in the wake of scandals involving Prudential Insurance Co. of America and other life insurers. Mr. Simmons says individual insurance departments did nothing to halt the fraud that was proliferating in the 1980s and early '90s, despite numerous warning signs.

Insurers say they favor state regulation not because they see it as less stringent but because it is best suited to evaluate the needs of local markets. Kevin Sullivan, assistant general counsel at Allstate, which sells insurance in 49 states, says national regulation would be inappropriate because "we believe insurance is a local business by its nature."

Missouri Insurance Commissioner Jay Angoff takes a different position. He says state regulation has survived because the great majority of insurers believe they wield significant influence over their home state regulators. Adds Mr. Angoff, "They'd rather be regulated by 50 monkeys than one big gorilla."

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1. **President's Remarks on Settlement Review, September 17, 1997**
   Q. ...Are you willing to agree to immunity from future liability?

   The President: Well, I don't think they've asked for future liability. I think they've asked for immunity from liability for past suits. And the question there would be, what are they willing to agree to. They need to come and meet with us. We need to discuss it, and we need to see whether we can embody these five principles. These are the things I'm interested in. To me, I'll say again, this is not primarily about money....

2. **Press Briefing by Secretary Shalala and Bruce Reed, September 17, 1997**
   Q. I don't think the President said anything this morning about liability protections for the industry, and so, where do you stand on that? And if you don't intend to support that, do you think you could get a comprehensive bill through Congress without --....

   Reed: Yes. I think what he said was that we were willing to look at caps on liability, but we want to make sure that Congress enacts legislation that fulfills the five principles that we laid out in the plan this morning.

   Shalala: The point the President was making was he put on the table what he wants from legislation, and other parties including the tobacco industry will be putting on the table and presenting to Congress what they want. But the five points that he laid out are the core of what he believes we need to reduce teenage smoking.....

   Q. Concerning the liability protections, the deal provided for banning future class actions and state attorney general suits, caps on annual liability, punitive damage, eliminating that. Which of those, or all of those are you willing to go along with if all the guidelines that the President set down this morning are met?

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'We've always said that some form of caps on liability is not a deal-killer for us, but we would condition that on getting the kind of comprehensive plan to reduce smoking that we're asking for,' Mr. Reed said."

4. **Testimony by Secretary Shalala before Senator Jeffords (R-VT), September 25, 1997** (from FDCH political transcripts)

   Jeffords: One of the areas that the June tobacco settlement that was not discussed in the President's announcement was the civil liability provisions. Should we view the President's silence on this issue [sic] endorsing these provisions?

   Shalala: Actually, Mr. Chairman, when the President was asked that question he said that if the core principles that he has laid out are taken care [of] as part of the legislation, then he would be willing to discuss the civil liability issue but not until he sees legislation that really is comprehensive, that deals with the farmers, that deals with the FDA jurisdiction. We want to make sure that the core of the legislation is focused on reducing smoking by young people.

5. **National Journal's CongressDaily, January 16, 1998**

   McCurry: "The caps on liability, as we have said in the past, are not necessarily a deal breaker."

6. ***Los Angeles Times*, "Proposed Tobacco Settlement Isn't Setting Congress on Fire, p.A5, January 29, 1998**

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7. **U.S. Newswire, Press Briefing by Mike McCurry, January 30, 1998**

   McCurry: "Now, the issue is one of caps on liability. We have never said that caps on liability were absolutely central to any legislation; in fact, as you recall, the President did not even address that in the principles that he outlined last August about the legislation that would be required to implement the settlement. We've said it's not a deal-breaker by any means, but it certainly is not one of the fundamental elements that the President believes has to be in there."

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United States Senate

COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION
WASHINGTON, DC 20510-6125

February 2, 1998

The Honorable William Clinton
The White House
Washington, DC 20500

Dear Mr. President:

As you know, Congress intends to consider comprehensive tobacco legislation during the upcoming legislative session.

The issues raised by the global tobacco settlement and involved in the crafting of legislation to implement responsible national tobacco policy, are extremely diverse and intensely complex.

As I stated in my letter to you of six weeks ago, it's imperative that Congress and the administration work together in a cooperative and bi-partisan fashion if we are to craft a bill that will gain public support, Congressional approval and your signature.

In that regard, it will be particularly important for the Administration to exercise its executive responsibilities by providing Congress with detailed assessment of the provisions of pending tobacco legislation, and your specific policy and legislative recommendations.

The Senate Commerce Committee which I chair, and which has jurisdiction over key components of tobacco legislation, will hold hearings on the issue early this year. To assist with these deliberations I would like to request the administration's answers to the attached tobacco related questions.

These are the first in a series of questions to which we must have answers if we are to properly assess global tobacco settlement legislation, and move forward with the most effective and appropriate bill.

With the advice and expertise of the executive branch, we can ensure that federal tobacco legislation is based on a firm understanding of the facts, grounded in a solid understanding of the true consequences of our actions, and formulated by consensus. Most importantly, these disciplines will enhance our ability to achieve our most important goal of dramatically reducing youth smoking.

Thank you for your assistance in providing the Committee and Congress with the information requested. With regards,

Sincerely,

John McCain

John McCain
Chairman

JM/jr

QUESTIONS REGARDING GLOBAL TOBACCO SETTLEMENT LEGISLATION

THE FOLLOWING IS THE FIRST SET IN A SERIES OF QUESTIONS PERTAINING TO S. 1415, LEGISLATION IMPLEMENTING THE GLOBAL TOBACCO SETTLEMENT PROPOSAL AGREED TO BY THE ATTORNEYS GENERAL OF THE VARIOUS STATES AND THE TOBACCO INDUSTRY.

QUESTIONS RELATED TO SPECIFIC LEGISLATIVE LANGUAGE SHOULD USE S. 1415 AS THE REFERENCE. ADDITIONAL QUESTIONS WILL FOLLOW.

I. BAN ON OUTDOOR ADVERTISING, INCLUDING IN STADIA AND ARENAS

The agreement (bill page 15) bans outdoor tobacco product advertising, and tobacco advertising in stadia and arena.

1. What data does the administration have to substantiate that a ban on outdoor advertising, including stadia and arenas will reduce smoking and, in particular, youth smoking?

2. To what extent do you believe such restrictions be expected to reduce smoking?

3. Does the administration support such a ban. If so, why? If not, why not?

4. What specific changes, if any, in the legislative language implementing the ban would the administration propose? Please provide specifics.

II. BAN ON HUMAN FIGURES AND CARTOON FIGURES IN ADVERTISING

The agreement (bill page 15) bans the use of human figures and cartoons in tobacco advertising.

1. What data does the administration have to substantiate that barring the use of human figures and cartoon advertising will reduce smoking, in particular, youth smoking?

2. To what extent do you believe such restrictions can be counted on to reduce smoking?

3. What entity would you propose to determine what constitutes a human image or cartoon character?

4. What penalty do you believe is appropriate and should accrue for a violation of the prohibition on material containing figures deemed to be human or cartoon?

5. Does the administration support this ban. If so, why? If not why not?

6. What specific changes, if any, in the legislative language implementing the ban would the administration propose? Please provide specifics.

III. BAN ON INTERNET ADVERTISING

The agreement (bill page 16) bans tobacco advertising on the internet.

1. Does the administration support such a ban? If so, why? If not, why not?

2. How can and should a ban on internet advertising of cigarettes be enforced?

3. What, if any, concerns does the administration have regarding Constitutional free speech issues raised by any such ban?

4. What specific changes, if any, in the legislative language implementing the ban would the administration propose?

IV. BAN ON POINT-OF-SALE ADVERTISING

The agreement (bill page 16) bans point-of-sale tobacco except for advertisements which comply with that certain restrictions.

1. What data does the administration have to substantiate that a ban on point-of-sale advertising would reduce smoking, in particular, youth smoking?

2. Does the administration support such a ban? If so, why? If not, why not?

3. Is the exemption of point-of-sale advertisement for adult stores and tobacco outlets appropriate?

4. Is it appropriate to grant companies with greater cigarette market share additional point-of-sale advertising rights? If so, why? If not, why not?

5. Does such a privilege constitute a statutorily granted competitive advantage? Please discuss.

6. Does the administration support this grant? If so, why? If not, why not?

7. What specific changes, if any, in the legislative language implement the ban would the administration propose? Please provide specifics.

V. LIMITATIONS ON POINT-OF-SALE ADVERTISING

The agreement (bill page 17) specifies the size and design of permissible point-of-sale advertising.

1. What data does the administration possess to suggest that such limitations will reduce smoking, particularly among youth?

2. Does the administration support this provision? If so, why? If not, why not?

3. If so, what is the justification for statutorily determining a particular size limitation and for the particular size and restrictions proposed?

4. What specific changes in legislative language, if any, does the administration propose? Please provide specifics.

VI. BAN ON ADVERTISING RESTRICTION AGREEMENTS

The agreement (bill page 17) includes a prohibition on arrangements to limit the ability of a retailer to display permissible point-of-sale advertisement or promotional material originating with another manufacturer or distributor.

1. Are such agreements currently against federal or state law? If so, is such a provision necessary?

2. Does the administration support such a provision? If so, why? If not, why not?

3. Does the administration support the limitation. If so, why? If not, why not?

4. What specific changes, if any, in the legislative language implement the ban would the administration propose? Please provide specifics.

VII. GLAMORIZATION OF TOBACCO

The agreement, (bill page 20) prohibits payments to glamorize or promote the image or use of tobacco through pint, films or live performance that appeals to individuals under 18 years of age.

1. What data does the administration possess to indicate whether and to what extent this provision will reduce smoking, particularly among youth?

2. What entity does the administration propose will determine what activity constitutes promoting the image or use of a tobacco produce?

3. How does the administration envision such a ban will be enforced?

4. Does the administration support such limitations?

5. What specific changes, if any, in the legislative language would the administration propose? Please provide specifics.

VIII. RESTRICTION ON COLOR ADVERTISEMENTS

The agreement (bill page 21) prohibits the use of color advertising except in adult publications.

1. What data does the administration have to substantiate that a ban on color ads, except in publications with limited youth readership, will reduce smoking, particularly youth smoking?

2. Does the administration believe that the threshold for the restriction of two million readers is the appropriate threshold?

3. How does the administration envision readership demographics being determined?

4. How would this restriction be enforced?

5. Does the administration support this restriction? If so, why? If not, why not?

6. What specific changes, if any, in the legislative language implementing the restriction does the administration propose? Please provide specifics.

IX. GENERAL QUESTION REGARDING MARKETING/ADVERTISING BAN

1. Can the marketing and advertising restrictions envisioned in the settlement be constitutionally imposed, with or without the industry's consent? Please discuss.

X. WARNING LABELS

The agreement, (bill page 26- 28), authorizes a variety of new warning labels for tobacco products.

1. Does the administration believe that these are appropriate warning labels?

2. Does the administration possess data suggesting that these warning will effectively reduce smoking, particularly youth smoking?

3. What data suggests that the various new warnings will

be as or more effective than the current warning requirements?

4. Does the administration support the provisions authorizing specific new labels? If so, why? If not, why not?

5. What specific changes, if any, in the legislative language implementing this provision would the administration propose? Please provide specifics.

IX. WARNING LABEL SIZE AND LOCATION REQUIREMENTS

The agreement (bill page 28-29) specifies, the size, placement and print type of the various tobacco warning labels.

1. What data does the administration have to suggest that these specifications will reduce smoking, particularly youth smoking?

2. Does the administration support these particular specifications? If so, why? If not why not?

3. Does the administration support the exception (page 29) provided for flip-top cigarette packages? If so, why? If not, why not?

4. What specific changes, if any, in the legislative language to implement these restrictions would the administration propose? Please provide specifics.

X. SMOKELESS TOBACCO ALTERNATIVE LABELS

The agreement (bill page 34) provides for various new warning label options for smokeless tobacco

1. What data does the administration have to suggest that the various new warning labels will effectively reduce the use of smokeless tobacco, particularly among youth?

2. Does the administration support the use of these alternative labels?

3. What changes, if any, to the legislative language implementing this provision would the administration propose? Please provide specifics.

XI. ENFORCEMENT OF ADVERTISING, MARKETING AND LABELING RESTRICTIONS

The agreement (bill page 36-37)provides for the enforcement of advertising, marketing and labeling restrictions.

1. Does the administration support the enforcement provisions regarding advertising, marketing and labeling? If so why? If not, why not?

2. What changes in legislative language, if any, does the administration recommend regarding this provision? Please provide specific language.

XII. PREEMPTION OF STATE AND LOCAL ACTION

The agreement (bill page 38) prohibits state and local requirements related to the packaging or advertising of cigarettes or smokeless tobacco.

1. Does the administration support such preemption? If so, why? If not, why not?

2. What changes in legislative language, if any, does the administration recommend regarding this provision? Please provide specific language.

XIII. EXEMPTION OF EXPORTS

The agreement (bill page 40) exempts exports from the packaging, labeling and advertising requirements.

1. Does the administration support this exemption? If so, why? If not, why not?

2. What ramifications does this provision have in the area of foreign relations?

3. What changes in legislative language, if any, does the administration recommend regarding this provision? Please provide specifics.

XIV. RESTRICTION ON ACCESS TO TOBACCO PRODUCTS

The agreement (bill page 40-41), prohibits the sale of tobacco products to individuals under 18 years of age; requires that retailers verify the age of individuals purchasing tobacco; and exempts individuals 27 years of age or older from the photo identification requirement.

1. Does the administration support these provisions? If so, why? If not, why not?

2. How does the administration envision that this provision will be enforced and can it be enforced effectively?

3. What changes in legislative language, if any, does the administration recommend regarding this provision? Please provide specifics.

XV. PROHIBITION ON SALE OF LESS THAN A FULL PACK OF CIGARETTES

The agreement (bill page 41) prohibits the sale of less than a full pack of cigarettes.

1. Does the administration support this prohibition? If so, why? If not, why not?

2. What changes in legislative language, if any, does the administration recommend regarding this provision? Please provide specifics.

XVI. STATE LICENSURE TO SELL TOBACCO

The agreement, (bill page 44) requires states to license sellers of tobacco products.

1. What data, if any, does the administration have to indicate that licensure will effectively reduce access to tobacco by minors?

2. What entity does the administration envision would enforce the licensure requirement if a state should be unable or unwilling to implement the licensure program?

3. Has the administration developed or formulated the cost of a licensure program?

4. Does the administration support the licensure program? If so, why? If not, why not?

5. What changes in legislative language, if any, does the administration recommend regarding this provision? Please provide specifics.

XVII. ANTI-TRUST EXEMPTION

The agreement, (bill page 94), provides anti-trust exemption for the tobacco industry.

1. Does the administration support such an exemption? If so, why? If not, why not?

2. Could such an exemption be used to set prices beyond those necessary to deter youth smoking, but to increase profits for the industry?

3. What changes in legislative language, if any, does the administration recommend regarding this provision? Please provide specifics.

XVIII. APPLICABILITY TO NEW ENTRANTS IN TOBACCO INDUSTRY

1. Under the agreement, and the implementing legislation, what is the assurance that new entrants into the tobacco industry will comply with the statute and any related consent agreements not to challenge the legality of the agreement implementation legislation.

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FEB. 2.1998 2:56PM SENATE COMMERCE

U.S. SENATE COMMITTEE ON

Commerce, Science, and Transportation

JOHN McCAIN, Chairman

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Tobacco - McCain Questions - EW

CC: EK
Tom
JRM
+ return

FAX

TO: Bruce Reed

OFFICE:

FAX NO: 456-2878

DATE: 2/2/98 TIME: 1:23 pm

PAGE 1 OF: 11

FROM: John Raidt (202) 224 - 1251

SUBJECT:

~~Bruce~~
~~Message~~ go
FOR BRUCE & Elena

4TH STORY of Level 1 printed in FULL format.

The New York Times

September 22, 1997, Monday, Late Edition - Final

SECTION: Section A; Page 16; Column 5; National Desk

LENGTH: 172 words

HEADLINE: Aide to Clinton Sees Flexibility On Tobacco

BYLINE: By Bloomberg News

DATELINE: WASHINGTON, Sept. 21

BODY:

President Clinton will accept some form of legal immunity for the tobacco industry in exchange for a strong program to reduce the number of teen-age smokers, Bruce Reed, the head of the President's task force on tobacco, said today.

Mr. Reed said on Fox News today that the Administration would not try to change the liability protections in the national tobacco settlement reached on June 20 as long as there were real moves to reduce the number of underage smokers.

"We've always said that some form of caps on liability is not a deal-killer for us, but we would condition that on getting the kind of comprehensive plan to reduce smoking that we're asking for," Mr. Reed said.

A limit on liability is what brought cigarette makers to the negotiating table, and they have always made it clear they will walk away from any agreement that does not include it.

President Clinton said this week that the agreement needed to be changed to give the Food and Drug Administration the unfettered right to regulate nicotine.

LANGUAGE: ENGLISH

LOAD-DATE: September 22, 1997

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White House Press Release

REMARKS BY THE PRESIDENT ON TOBACCO SETTLEMENT REVIEW

THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release September 17, 1997

REMARKS BY THE PRESIDENT
ON **TOBACCO** SETTLEMENT REVIEW

The Oval Office

10:55 A.M. EDT

THE PRESIDENT: Thank you very much. Mr. Vice President, Secretary Shalala, Secretary Glickman, thank you for your work. Thank you, Bruce Reed. I'd like to say a special word of thanks to David Kessler for the work he did -- historic work he did at the FDA when he was here. Thank you, Dr. Koop, and members of the public community who are here. To members of Congress, the Attorneys General, the representatives of plaintiffs in the private litigation -- and we have one of the injured parties here representing all of the them. We thank all of them for coming today.

This is a time of prosperity and hope and optimism for America, with our economy improving, making progress on our social problems, our efforts to lead the world to a more prosperous and peaceful future making headway. But I think we all know that this country still has some significant challenges, especially in the health field. And if we think about what we want America to be like in the 21st century, the health of our people and especially the health of our children must be paramount in our thinking, in our vision, and in our efforts.

That's why, a year ago, I worked with the FDA and we launched this nationwide effort to protect our children from the dangers of **tobacco** by reducing youth access to **tobacco** products, by preventing companies from advertising to our children.

The purpose of the FDA rule was to reduce youth smoking would be willing to work with us. But we cannot have the FDA crippled here, and we have to have real and meaningful penalties if the targets for youth smoking are not met. And so I feel very good about that.

I think the Congress -- I think it's highly likely that they will take action. When they take action depends, I think, upon when they can work through the issues for themselves and how they decide how to divide up the work among the committees. But it's not too soon to start. We could have hearings on this fairly soon, and I would hope to work with the Congress to develop a bill that would embody these principles.

Q Mr. President, you haven't said what you're willing to agree to for the **tobacco** industry. Are you will to agree to immunity from future **liability**?

THE PRESIDENT: Well, I don't think they've asked for future **liability**, I think they've asked for immunity from **liability** for past suits. And the question there would be, what are they willing to agree to. They need to come and meet with us. We need to discuss it, and we need to see whether we can embody these five principles. These are the things I'm interested in.

To me, I'll say again, this is not primarily about money. This is about changing the behavior of the United States, both the behavior of the **tobacco** companies, the behavior of the American people, the future behavior of our children. I'm trying to create an environment here with these five principles that I believe would achieve that. And if they want to be our partners in it, I think we can get there. And I hope they will be.

Q Are you willing to put your prestige on the line to ensure that this becomes law?

THE PRESIDENT: Well, I think my personal prestige on this has been on the line for more than a year now. (Laughter.) There for a while, I thought more than my prestige was on the line. (Laughter.) You know, for a person involved in public life in Washington today, personal prestige may be an oxymoron. (Laughter.) But at least you still have your neck most days.

Q What do you say to the people -

Q -- protect the well-being of **tobacco** farmers - sounds like you're going to take away their livelihood.

THE PRESIDENT: Well, there are a number of things which can be done, and I don't want to get into the details. Secretary Glickman can talk about it. But we have had farmers in various sectors in our agriculture society facing constricted incomes before, and we have done things which helped them. There was a -- for example, I remember a few years ago something that affected dairy farmers in my state. There was a massive buy-out program for dairy farmers, and in a lot of states like Arkansas, there were any number of small farmers that were having a very difficult time who had a chance to start their life on a different basis.

I don't want to minimize this. **Tobacco** has a very high return per acre. So it's not a simple thing. You can't just say to a **tobacco** farmer to go plant soybeans, even if the soil will hold them. This is, from an agricultural point of view, economically complex. But, nonetheless, we have a responsibility to these people. They haven't done anything wrong. They haven't done anything illegal. They're good, hard-working, tax-paying citizens, and they said in the past, are not necessarily a deal breaker. " The White House is reportedly planning to tie a host of new spending initiatives to funds collected from the industry under the settlement. ...

White House Press Release

PRESS CONFERENCE OF THE PRESIDENT

THE WHITE HOUSE

Office of the Press Secretary
(Denver, Colorado)

For Immediate Release June 22, 1997

PRESS CONFERENCE OF THE PRESIDENT

Colorado Convention Center
Denver, Colorado

2:25 P.M. MDT

THE PRESIDENT: Thank you very much. Please be seated. Let me say I have a brief opening statement, and then I will open the floor to questions. I know we also have some members of the international press here, and I'll take several questions from the American press first, and then I'll try to alternate a bit. And I think I have a general idea of where everyone is.

Let me begin by saying that over the past four years I have worked with our partners in these summits to focus the major industrial democracies of the world on both the opportunities and the challenges that we face as we move toward the 21st century. Together we worked to prepare our economies to meet new transnational threats to our security, to integrate new partners into our community of free market democracies.

The summit communique I summarized just a short while ago demonstrates that here in Denver we have actually made real progress on problems that matter to our people. To prevent financial crises from one country from sending shockwaves around the world, something we have seen on two different occasions in the last few years, we've strengthened our network of banking and market officials to monitor financial policies and police risky practices.

We moved forward in our fight against new security threats that confront all our people. We intend to step up our collective efforts against the growing international problem of high-tech and computer-related crime. We agreed to work more closely to stem the spread of materials of mass destruction that could be used in terrorist attacks.

To help ensure that as we dismantle nuclear weapons dangerous materials don't fall into the wrong hands, we'll tighten control on plutonium stockpiles and establish a rapid response network to prevent nuclear smuggling.

Together, we've begun to tackle another very dangerous threat we'll all face together in the years ahead: infectious diseases that can span the planet in the space of an airline flight. We've agreed to create a global early warning system to detect outbreaks and help us to get the right medicines where they're needed quickly.

And in all of these efforts, we believe we are stronger because we now have Russia as a partner. I'm pleased that for the first time Russia took part in our summit from the start and that this week we reached agreement on Russia's joining the Paris Club for creditor nations -- evidence of Russia's emergence as a full member of the community of democracies.

The progress we've made here in Denver demonstrates again what I have said so many times in the last five years. In this new era, foreign policy and domestic policy are increasingly intertwined. For us to be strong at home, we must lead in the world. And for us to be able to lead in the world, we must have a strong and dynamic economy at home and a society that is addressing its problems aggressively and effectively.

To continue that path, let me say, there are some things we have to embrace on the home front and on the international front. First, Congress must pass a balanced budget plan consistent with the agreement we made and with our values. The balanced budget must include a tax cut that is as far as possible to middle class families and meets their real needs, providing help for education, for child rearing, for buying and selling a home. I will also insist that any tax cut be consistent with a balanced budget over the long run. We cannot afford time-bomb tax cuts that will explode in future years and undo our hard-won progress.

This will be a crucial test of our will to continue the economic strategy that has produced American prosperity in the last few years -- balancing the budget and investing in our people as we move into a new century.

Second, after our own Independence Day, I will travel abroad for a NATO Summit where we'll take a historic step to lock in freedom and stability in Europe. In Madrid, we'll invite the first of Europe's new democracies to join our Alliance, to advance our goal of building a continent that is undivided, democratic, and at peace for the first time in history.

Third, we'll move ahead with our leadership of the world economy and with the obligations and the opportunities that come with it. I urge Congress to vote next week to continue normal trade relations with China so that we can maintain our ties with one-quarter of the world's people, advance human rights and religious freedom there, continue our cooperation for stability on the Korean Peninsula, and to prevent the spread of weapons of mass destruction, and keep Hong Kong's economy strong as it reverts to Chinese sovereignty.

Then I will ask Congress for the fast track authority that every President for two decades has had to negotiate smart new trade agreements so that we can open new markets in Latin America and Asia to American goods and services to complement the African initiative I announced just a few days ago.

In closing, let me again thank the thousands of people who put this summit together for their hard work. I thank the people of Denver for the warmth of their hospitality, the power of their optimism, and the strength of their example. And especially I want to thank Harold Ickes and Debbie Willhite, and our whole team for all the work that they have done over the last several months.

And now I'll be happy to take questions. And I think we'll start with Ken.

Q Mr. President, in the last year there have been various efforts led by the United States to try and move the Balkan states, the former Yugoslav states, into adhering to the Dayton Accord. Can you tell us why you believe this summit is, in fact, going to move those leaders to do that? And also, while you have said to try and focus on what's taking place now, can you tell the American people whether or not the U.S. troops will remain in the former Yugoslavia beyond June 1998?

PRESIDENT CLINTON: Well, I will reiterate American policy on that. Our policy is that the SFOR mission should be completed by June of '98, and we expect it to be. But to answer your first question, which is the far more important one, I made it very clear that I think that we have all made a terrible mistake in **dealing** with Bosnia to spend all of our time focusing on June of '98 instead of focusing on tomorrow and the day after tomorrow and the day after that.

We have seen some successes in Bosnia, not only in the work done by IFOR and SFOR and the absence of bloodshed, but in the recent -- just in the last few days we've had the Serbs agreeing to proceed with the setup of common economic institutions and to do other things which will make them eligible for economic aid. We expect there to be local elections -- Madam Agnelli from Italy is doing a good job in raising the money there to conduct these local elections.

And what I urge the parties to do and what our statement reflects here is our determination to spend the next year trying to implement the Dayton Accords, and taking each of the seven areas -- there are roughly seven areas of activity where Dayton is critical to pulling this together -- and trying to make headway on all fronts, and especially on the economic front.

We have pledged a lot of money, but we need to release the money as soon as it's pledged if the parties commit to do what they're supposed to do. And I'm convinced that -- this whole thing is always going to be a race against time and hatred and limitations to try to get people to feel and visualize the benefits of peace and living together.

I'm not ready to give up on Dayton. I believe in it. And I feel that you will see over the next several months a number of specific examples where the people who are in the Group of 8 are trying to energize this peace process.

Terry.

Q Mr. President, the communique says that the Middle East peace process faces crisis and that you're determined -- all the leaders are determined to re-inject momentum into it. The United States has tried. Egypt has recently tried. Yet, the process remains stalled on all fronts. What is it that the United States and all the partners here can do to re-invigorate this process to get things going?

THE PRESIDENT: Well, first, let me emphasize something. You should never believe that just because you don't see high-level air transport between Washington and the Middle East that nothing is going on from our point of view. We spend -- I spend quite a bit of time on this every single week. And I'm very concerned about what's happened.

But let me say in a nutshell, here's what we have to find a way to do: We have to find a way to persuade the Palestinians that there is a basis for returning to the negotiating table and that all the Final Status issues are not going to be resolved out from under them. But we also have to find a way to persuade the Israelis that the Palestinians are serious about security.

In other words, the Palestinians will have to return to security cooperation with the Israelis, and will have to manifest an opposition that is clear and unambiguous to terrorism, the unauthorized injury or murder to innocent civilians, and to continuing the peace process. The Israelis, for their part, have got to find specific things that can be done that show that there's a commitment to Oslo in fact, not just in words, and a commitment to getting this process going.

Now, there are several different potential scenarios that might achieve that, and we've been working very hard on trying to figure out what the most effective way to do it is.

For all of us who are outsiders, including the United States, it is not self-evident what the most effective way to exercise whatever influence you have is. And I am prepared to do anything I reasonably can to keep this peace process from going awry. I think that it's in a pivotal moment, and I think that all of the friends of Israel and the Arab states and the Palestinians need to bear down and do what we can to persuade these people that they need to get back to the work of the peace process.

Gene.

Q Mr. President, even before next week's reversion of Hong Kong to Chinese sovereignty, there are some ominous signs that China plans to roll back some of the rights and freedoms that the people of Hong Kong now enjoy. I know that the communique here in Denver addressed that issue, but what can the United States and the other industrial democracies do if China fails to deliver on the 1984 agreement?

THE PRESIDENT: It's interesting, we spent a lot of time talking about that this morning, and mostly we were listening to Prime Minister Blair, who obviously has the highest level of knowledge about this and the deepest experience, and a lot of personal involvement with Hong Kong, I might add.

Our sense is that, obviously, we don't exactly what will happen, but that we have all committed to work with the British to try to continue to insist on and preserve the integrity of the '84 agreement, and we also do not want to assume the bad faith of the Chinese. I think that would be an error. China made a commitment in 1984, and they asked our country when President Reagan was in office to actually bless or endorse the commitment when China and Great Britain made the commitment to have one China, but two systems. And that definition clearly included political as well as economic differences.

You know, I hate -- I don't like to answer hypothetical questions, and I think anything we do will only make it worse. I think what we want to do is to encourage the Chinese to remember they have a unique, almost unprecedented place now that is reverting to their sovereignty, and that part of the fabric of what makes Hong Kong work is not just open markets and industrious people and a haven of hope for people who flee the lack of opportunity and often oppression elsewhere, but a lively and open society. And it needs to be maintained, and I hope that it will be.

Yes, Ann.

Q When the **tobacco deal** was announced, you indicated you'd be listening for reactions from some, like Doctor David Kessler, who said this morning that he finds, in reading the fine print, that there are some hurdles, some impossible burdens. And he called parts of it, a step backwards. Is there some way you can assure people that this agreement will not simply be proposed and then die? Is there something your administration can do follow through to make sure that this represents a time of real change for the **tobacco** industry?

THE PRESIDENT: Yes -- I think the answer to that is, yes. And let me say, obviously, I have not, myself, had a chance to review this in any detail. Bruce Lindsey has briefed me on its major provisions. And that's why I asked to have the chance to have it reviewed. I don't think any of us -- at least I hope none of us are reviewing it with the view toward either saying we're going to embrace it or kill it, and there's no other option.

I was impressed by some of the comments of members of Congress in both parties that they were hoping that if they couldn't completely embrace it, that at least it could be salvaged; and by Attorney General Moore from Mississippi who said that he thought the agreement would come apart if what he called -- I think he said, radical changes or something were made in it, which would undermine its fundamental understandings.

But I think -- here's bottom line for me: When two sides make an agreement -- an honorable, principled agreement -- they, obviously, both conclude that it's in their interest to make the agreement. And what we have to -- those of us who are on the outside of this who represent the public interest have to do is to make sure that those things which made the **tobacco** interests conclude that it was in their interest to make the agreement do not compromise or undermine our obligation and our opportunity to protect the public health and especially children's health and reduce child smoking.

Now, that will particularly bear on the specific language relating to the jurisdiction of the federal Food and Drug Administration, and exactly what it means. And I just urge you all to read it carefully. We're going to be reading it carefully. And we're going to read it carefully against what the **tobacco** companies have already admitted about the addictive qualities of nicotine and what was known.

So you have to not only look at the legal language, but you have to look at the factual basis that's out here. We're going to work through. But I can tell you, I'm going to do my best to see that this whole endeavor, which is massive, results in something positive for the American people. But we have to have those tests -- public health, child smoking.

George.

Q Mr. President --

THE PRESIDENT: Just a minute, just a minute. I called on this man, then I'll call -- just hold on.

Q Mr. President, as you prepare to leave for Madrid, NATO is undergoing a rather public division over the number of nations that should be asked to join. Were you able to bridge the gap here at all with President Chirac or the Prime Minister of Italy? And, secondly, do you see any lasting damage to the Alliance from this split?

THE PRESIDENT: I think my answer would be no to both questions. That is, we still have differences of opinion about whether in the first round there should be three or five nations admitted, or some favor four. But I do not expect it to do lasting damage to the Alliance, if -- this is a big if -- we maintain the integrity of the process we set up. That is, if we say, this is not the first entrance, there will be an open door, and if we continue to intensify the work of the Partnership for Peace, which has been wildly popular with all its members, and we have an extra outreach to those who are good prospective members.

For example, if you just take the two countries in question, Romania and Slovenia, I believe that they are excellent candidates for admission to NATO membership if they stay on the path of reform and they continue to build up their partnerships with us militarily through the Partnership for Peace, preserve democracy. Romania has resolved its problems with Hungary, has two Hungarians in the Cabinet. It's the second biggest country in Central and Eastern Europe. Slovenia is a key nation geographically, if for no other reason, between Italy and some of the other countries in Europe and Hungary and some of the difficult spots that we're likely to have trouble in.

So I think that there is not as much difference over where we think this will be 10 years from now as there is how we should proceed now. And I'm hoping we can resolve these things. I'm confident that our position is the prudent, the disciplined, and the right one for this military alliance at this moment. But I don't think we should in any way discourage or dash the hopes of two countries that clearly are moving in the right direction and strategically located in an area where it will be very important for NATO to maintain stability in the years ahead.

Now go ahead.

Q Mr. President, two days ago the representative for the Red Cross in Pyongyang announced that there were about 5 million North Koreans in imminent danger of starvation. I was wondering if this issue was discussed at the meetings in the last two days, and if you as Chairman of the G-7 cannot mobilize the other countries to contribute what is necessary and to create the logistical means of getting it to

North Korea before a catastrophe hits.

THE PRESIDENT: Yes, I discussed this actually personally, one on one, with a number of the leaders. And the United States has pledged more food aid to North Korea. I am very concerned about it as an humanitarian matter, and I believe you will see more action on this front. And I'm certainly committed to doing it; I'm deeply troubled.

And I also would say that, in addition to that, we're hopeful that the latest statements by the North Koreans indicating that we can have a meeting to discuss how to get into the four-party talks with the Chinese and the South Koreans -- that's also very hopeful. But I'm profoundly troubled by the reports that I have read about the scope of human suffering in North Korea. And whenever we've been asked, we've come up with some more food, but I'd like for us to do more and I think you'll see these other countries willing to do more as well.

John.

Q Mr. President, your administration has been criticized for cutting China a break in terms of how you **deal** with it, using a policy of constructive engagement; that there's a double standard. You are tougher on other countries for similar transgressions; with China you think talk is best. The basic criticism comes down to the notion that for the sake of trade, the administration will compromise its principles. Can you respond to that, please?

PRESIDENT CLINTON: Yes. I don't think it's fair. For example, if you look at our policy toward Burma, which, unlike China, had a democratically-elected government and reversed it, and represents the most severe abuses of political and civil rights that we've dealt with recently in terms of our actions, we've been for sanctions against Burma, but we haven't repealed MFN.

And when you look at China, we still have Tiananmen Square sanctions on China that we haven't gotten rid of. We have given up a lot of business in China, clearly -- and they've made it clear that we have -- by continuing to press our human rights concerns in the human rights forum. What we don't believe would be fruitful is to withdraw normal trading status from China -- something we have with virtually every country in the world -- in a way that would estrange us further from them, prevent us from working together on problems like North Korea, weapons proliferation and other issues, and endanger the ability of the United States to be a partner with China in the 21st century. That's what we don't believe.

We have paid quite a price from time to time for our insistence on advancing human rights. I just don't think taking normal trading status away from them is much of a way to influence them over the long run. I think it's a mistake.

Wolf.

Q Mr. President, Senate Finance Committee, including the Democrats, by and large, have supported legislation they want you to sign that would do two very dramatic things to Medicare -- raise the eligibility age from 65 to 67, and impose what's called means testing, making sure that millionaires and richer Medicare recipients pay more for the premiums than poorer Medicare recipients. Could you tell us specifically right now how you will come down on these two very sensitive -- politically sensitive issues?

THE PRESIDENT: Well, let's take them differently -- separately. First of all, both of them are clearly outside the budget agreement. And if -- because I felt so strongly about honoring the budget agreement, I did not try to help the advocates of the Kennedy-Hatch bill pass their child health plan, even though I strongly support it. I didn't try to help them pass it because I wanted to honor the budget agreement. So I think I can be forgiven for asking that other people honor the agreement is they voted for it. Now, if any of these senators didn't vote for it, I can't expect them to honor it. But if they voted for it, it was very specific. And that's what concerns me about it.

Now, let's take them independently on their merits, because I wouldn't say that the administration and the leaders of both parties in Congress couldn't come back during the course of this endeavor and agree, in effect, that this should be considered as consistent with the budget agreement -- not this issue, but just any particular issue. So let's take these two issues.

Number one, on the question of raising the eligibility for Medicare from 65 to 67, when that was done on a phase-in basis for Social Security back in '83, I supported that, on the grounds of increased life expectancy, changing demographic balance and because it was part of a bipartisan process. My question here would be, apart from the fact that it's outside the agreement, is, do we know that this would not lead to increased numbers of people without any health coverage? Has there been sufficient study here? Do we really have adequate evidence that we won't have increasing numbers of people without health insurance?

On the means testing for -- not for the premiums, but for the co-pays, which is what was done in the case of the cash -- I have said repeatedly that, philosophically, I was not opposed to means-testing Medicare. And I told Senator Lott that on the phone the other day. What my concerns are, are the following.

Number one, it's outside the agreement. Number two, we have an agreement which has a lot of reform in Medicare and will realize $400 billion worth of savings and put 10 years on the trust fund right now. And will this imperil it because people will be opposed to it? Or would this endanger the whole Medicare **deal** in the House, for example, where I have reason to believe, based on our preliminary negotiations over the budget agreement, that there would be broad opposition in both parties? Thirdly, Mr. Reischshauer and others have said that this particular proposal is probably not capable of being administered, that there are a lot of practical problems with it.

So, again, I say, I have said to leaders of both parties and to the American people, I want to take care of more of the long-term problems of the entitlement, both Social Security and Medicare. I am amenable to doing it in any bipartisan process. I have the specific problems I mentioned on these two issues, but the number one thing is, we have got a great budget agreement; we should not alter it unless there is agreement among all the parties who made the budget agreement that it's acceptable to do because, otherwise, we risk undermining the prize that we have when we could achieve these other objectives as soon as the budget's done in an appropriate bipartisan forum.

Bill and Mara. Go ahead. We'll do one, two here.

Q Mr. President, there's a report out today that your administration has chosen to ignore information that China is sending missiles to Pakistan, selling them in contravention of its 1994 agreement, and also helping Pakistan to build a facility to manufacture the missiles. Is it true? If so, why did you ignore it? And will it have any effect on your MFN decision?

THE PRESIDENT: Well, first of all, you know I can't comment on intelligence reports or alleged intelligence reports. I would remind you that when we had clear evidence that China was providing ring magnets to Pakistan in ways that we thought were plainly violative of our law and our national interest, we dealt with them about that and were satisfied. And I think it's fair to say that on all these issues we will not overlook them, we will not walk away from them, and we will make appropriate determinations and take appropriate action. The national security of the country is always going to be the most important thing.

Mara.

Q -- your initial take on one of the aspects of the **tobacco deal**. You've said that you're concerned about the ability of the FDA to regulate **tobacco** as you have proposed allowing it to do in the rule. Can they do that if they have to prove that regulations would not create a black market? Some critics say that's an impossible thing to prove; the **deal** does require it. And isn't that just giving away the court victory that you just won?

THE PRESIDENT: Well, you see, I don't know the answer to that. But it concerned me, because the first thing I thought was, what happens if they go to a zero nicotine ruling, and the technology is available -- obviously, the technology has to be available to do it since it's otherwise a legal product -- how could you prove there wouldn't be a black market? What's the definition of black market? Is a one percent penetration a black market or does it have to be 10?

That's why I've been so reluctant to answer these questions. Not -- I'll be happy to give you my opinion when I have a chance to study it, but that's why I want to take 30 days and look at this.

I've also -- let me tell you, I've been involved in these agreements. It's like this long budget agreement we did. And one of the things I can tell you is, when you're **dealing** with something with this many complex elements, if you are **dealing** in complete good faith and the other side is **dealing** in complete good faith, it is entirely possible that there were three or four things that were put in here that will have likely consequences that neither side anticipated.

So that's why I would -- I know that we're all in a hurry to sort of rush to judgment on this, and I understand that, but that's why we need to take the time to really analyze it and make sure there's not something there that would have an unintended consequence that, for all I know, neither party meant to have.

Peter, I'll take you next. Go ahead. We'll do both of them.

Q Mr. President, you said that you want to avoid time-bomb tax cuts in the budget **deal**, that you would insist on avoiding them. Would you also insist on including the $500 child care tax credit for the 4 million working families? Is that something that you would insist upon?

And number two, regarding the budget agreement, is it made more difficult to get it done by the Republican in-fighting?

THE PRESIDENT: Let me **deal** with the questions separately. First of all, on the tax credit, my position is that all working people should be made eligible for it -- the Senate bill in that regard is better than the House bill -- and that we shouldn't have some other offset, like reducing the child care credit as well as the children's tax credit in the new bill.

I understand the Republicans are arguing because they want to save money on this to pay for the capital gains and the other things that they want. They're arguing that this is, in effect, a welfare thing because you're giving a child care credit to people who aren't paying income taxes -- now, that's their agreement -- because of the other tax credits people are entitled to.

But let's just take the income group they are **dealing** with -- working families with incomes between $22,000 and $25,000. Now, suppose you've got a rookie police officer in a medium-size city in the South, the average entry-level salary is about $23,000 -- and it's a woman or a man with two kids at home. This police officer is paying federal taxes, a considerable federal payroll tax. And to treat -- to characterize them as welfare recipients because they would be made eligible for the same help that people making $31,000 a year would get to raise their children, I think is wrong.

So that's an area where we simply have a disagreement. I was encouraged that the Senate moved closer to us than the House. This is something I expect to work out.

On the other question, I wouldn't -- do I think we're not going to make an agreement because of reported divisions within Republican ranks? No, I do not expect that to be prohibitive. I think that there was a lot of tension within their caucus, obviously, over this disaster aid bill, but in the end they did the right thing. And the leaders did the right thing. And I think that nobody likes to go through that and have your position not prevail. And so that was understandable.

But I think as time passes, they will see that their leaders did the right thing and that the country is better off and that were moving in the right direction. So I don't expect splits to paralyze us.

Peter.

Q Sir, I'd like to ask you about an aspect of this **tobacco deal** where you do have some expertise, the legal aspect. What's your view of this concept of protecting the **tobacco** industry from lawsuits, from **liability**? What kind of legal and what kind of constitutional precedence would that set?

THE PRESIDENT: Well, as I understand it, it does not protect them from **liability** for actual damages. It protects them from **liability** for past punitive damages, and still permits punitive damages if there is misconduct from the date of the agreement forward.

Now, in the law, the purpose of punitive damages is to deter future destructive behavior. And the concept of punitive damages is provided not because the person suing is entitled it because of his or her injuries, but because you think the injuries are not enough -- compensating this person is not enough to take the profit out of whatever anti-social conduct and illegal conduct the defendant was engaging in. So you enable -- you have punitive damages to take the sting out of it.

The people negotiating on behalf of the public -- the attorneys general and the lawyers -- as I understand it, got another $20 billion or so -- Mike Moore described what it was -- in a kind of advanced penalty fund -- say, we're doing to make you pay up front for the things you've done wrong. And that's how they -- in the last few weeks, the agreement went from involving about $300 and something billion to almost $370 billion.

So, that -- I think -- I can't answer you question except to say, I'll sit down there and I'll try to evaluate that. I will evaluate -- it's an unusual and unique resolution. They got several billion dollars more out of the **tobacco** companies than they had been talking about getting. Can you have, in effect, an advance payment for punitive damages? Does it sort of -- does that, plus all the other things that would be good from a consumer's point of view and the public's point of view, would that be enough to kind of off-set the troublesome areas?

You and this man and then Bill, the three of you -- I'll take you real quick. And then I'll take some foreign journalists back there.

Q Mr. President, the hearings on campaign fundraising will begin soon. And a number of key figures -- people who worked for you or old friends have either fled the country or have said they would take the 5th Amendment. Is there anything you can or should do to get them to come clean?

THE PRESIDENT: What we can do is to control what we're asked to do. We tried to be very cooperative and all that we have asked is that the hearings be fair and bipartisan. And if they are, I think they'll serve a valid public purpose.

Go ahead.

Q President Clinton, some of the critics of your decision to renew Most Favored Nation trade status for China say that perhaps watching the transition of Hong Kong should have been taken into consideration before granting that status. Was that ever a consideration? And in your opinion, how realistic is a one-country, two-systems policy?

THE PRESIDENT: Well, the answer to the first part of your question is, we have to make this decision now, and I think we should now. This thing will obviously be revisited within a year. I think if we look like we were -- again, I would say to you, China is a very large country. It has great ties with the rest of the world. If we were to basically say, the United States believes we can keep you on probation all by yourself, and we're going to see what you do, we're like assuming their bad faith. I think that would be a mistake.

On the one-country, two-systems thing, I think it is realistic, but I think there will be some tensions there. And what we, of course, in the United States hope is that the tensions will steadily be resolved over time in favor of freedom and openness, free speech, personal freedom and democracy.

But let me remind you, 25 years ago, when President Nixon went to China, or in 1979 when President Carter recognized China and worked out the understandings of how we relate to China and how we would relate to Taiwan. There is plainly a lot more personal freedom and mobility and personal well-being in China today than there was then. In other words, our frustrations with China today are not measured against the standard of 1979 or 1972; they're measured with our deep disappointment and disagreement with 1989 and Tiananmen Square and our lack of success in persuading the Chinese to, in effect, go back to the status quo before Tiananmen Square and keep moving forward.

In the life of a country like China, that's not such a long time. And I'm just not prepared to give up on our engagement policy. So that's all I can say about it.

Bill.

Q Mr. President, now that you have a U.S. **tobacco** agreement, would you favor and encourage some sort of international regulation of **tobacco**? And wouldn't this be a good G-7 issue?

THE PRESIDENT: Well, it might be. But the problem is, you know, the G-7 nations are not the primary place where the market is growing. I will say this, I hope that other countries around the world that are concerned with their own public health and who have primary responsibility for the well-being of their own people, will look at what we've been trying to do here and ask themselves whether they should take some similar steps if they want to avoid very high death rates, very high disease rates, and enormous social costs.

Could we have a few questions from the international press now? Would someone just stand up over here -- anybody from the international press? Go ahead. We'll take a few there. Just stand up and I'll get around to you. Go ahead.

Q Mr. President, in your meetings here with the leaders of Japan and Russia, did you get the sense that the Northern Territories dispute between those two countries could be resolved? And do you see any U.S. role in that resolution process?

THE PRESIDENT: Yes, I think -- well, first of all, I think the only appropriate United States role is to try to talk to each party on behalf of the other from the point of view of being friends with both. That is, this is an area where we plainly have no personal, tangible interest of any kind. We have no territorial interest, we have no financial interest. Our only interest is seeing two friends of ours get along, and trying to stabilize one more -- the future of the Asia Pacific region by removing one more deterrent to an alliance between a free and democratic Russia and our great ally in Japan.

So I have talked to both Prime Minister Hashimoto and President Yeltsin about this on several occasions. They are beginning to talk about it among themselves. They will have to work it out. But, obviously, I'm very hopeful that it can be worked out.

Yes, sir -- the gentleman standing there.

Q Mr. President, I think you have been waiting for too long for Japan's achievement of deregulation and administrative reforms. Could you tell us your opinion, as frankly as possible, on this matter?

THE PRESIDENT: Well, I agree with you. (Laughter.) I agree with you.

Here's the problem we're going to run into with Japan on the trade issue. We have made real progress over the last four years in our trading relations with Japan. It's become a real joy to be able to meet and work with Japan where trade was an issue, but not the only issue, and where we really thought we could identify the issues and make progress on them, that there was no big structural war going on, economic war, between the United States and Japan. And I think it has obviously not been bad for Japan either. I think it's been good for both of us.

Now, the Prime Minister has reaffirmed his commitment to a domestic demand-led growth strategy for Japan, and has put forward a very ambitious plan for internal reform and deregulation and opening of the Japanese economy. At the same time, he says, quite rightly, that all these advanced economies are going to face serious challenges from the aging of our populations. That's true. You've heard all the questions that were just asked of me about our medical programs. And Japan has an even older population than the United States, aging even more rapidly.

So the decisions by the Japanese government to try to pursue a path of fiscal austerity driven in part by the desire to prepare for the retirement and the aging of the Japanese population runs the risk of going back to the old export-driven strategy of growth. And we'll just have to work through those two conflicts. We can't tell the Japanese government or the Japanese people that they can't prepare for the aging or their population; we have to do the same.

On the other hand, I think they know that if we resort -- we return to the time when we've got exploding trade deficits, then that will once again move front and center into our relations in a way that won't be good for either country, I don't think.

Q Mr. President, the Russian President Yeltsin has played an important role in the Denver Summit. What's your reading -- when will Russia be totally completed into the G-7 circuit as a new member?

THE PRESIDENT: Let me say, this year our commitment was to have Russia be a complete member of the Group of the 8 and to have the old G-7 meet only on issues that we had unique responsibility for because of our present financial standing. So I think it's fair to say that all of us look forward to the day when we don't even have to do that.

But just, for example, we've got this project going on to help Ukraine **deal** with Chernobyl, and Russia is not responsible for what we committed to do before, nor would it be fair to ask Russia to bear any responsibility for that. So we had to meet and discuss it, and we did. There was nothing secret or esoteric about it; we just had to do what we were required to do, and we did that.

But I think you will see continuing integration of Russia into full partnership. The next thing I want to see is Russia into the WTO, and we're working on that. So we'll just keep working at it, and as long as Russia keeps moving as it is under President Yeltsin, and those reformers and the people of Russia keep supporting the direction they have, I think that you'll see more and more good things ahead.

This gentleman has been here a long time, and then this gentleman, and then we'll move over here.

Q Mr. President, what do you think, is Russia ready economically and politically to be a full member of the 8?

THE PRESIDENT: I think, yes, they're ready politically, and ready economically in terms of what's -- like the Paris Club membership. But I think there are still some things that the old G-7 have to do that it wouldn't even be fair to ask Russia to participate in, like this Chernobyl thing that I just mentioned. So there will be a smaller and smaller role for the seven as we go forward, and a bigger and bigger role -- basically, this time we had a Summit of the 8, with a small, little afterthought for what the seven still had to do to clean up our old business. But I think that, with great prosperity, I think you'll see any last little dividing line blurring.

Yes, sir. These three gentlemen there are fine. Just take them in any order.

Q Mr. President, I was wondering, how do you think Russia will change the balance of forces -- or maybe I should say, the balance of interest -- within the group now that Russia has joined, specifically between U.S. and Europe.

THE PRESIDENT: Well, I hope that Russia will change in two ways that I would consider to be immensely positive. One is, I think the participation of Russia here, just like the NATO-Russia Founding Act, increases the chances that we can maintain stability in Europe in the 20th century, and that we can **deal** with any problems that arise like we're **dealing** with them in Bosnia, to prevent the outbreak of widespread war in Europe.

The second thing I think is very positive is, Russia, don't forget, is also a great Pacific power. So in bringing Russia into this partnership, along with Japan, you will see a little more emphasis, I think, on what we can do as a group to **deal** with what's going on in Asia in preserving stability and freedom and opportunity there. So in those ways, I think you'll see the texture of this change.

And you could see it just in the way President Yeltsin operated here at this meeting, where I might say I thought he did an extraordinary job.

Q Mr. President, can you assure us that by the time of the next summit, the main war criminals in Bosnia will finally have been arrested?

THE PRESIDENT: I can't promise you that, but I can tell you that's what I support. And I support -- generally, I think that it's going to be difficult to implement the full spirit of the Dayton Accord unless you see some progress on the war criminals front, number one. And number two, as you may know, I have felt for some time, with so much ethnic and racial and religious and tribal hatred in the world, that there probably should be an international war crimes tribunal that is permanently established and goes forward, because I think that what we see in Bosnia is just one example of a whole set of very serious problems.

This young man in the back has been very patient. Let me take his question.

Q Good afternoon, Mr. President. My name is Colton Alton. I am a student taking an international course on the summit for the University of Colorado CU On-Line. There are 450 students internationally, from each of the countries. On behalf of the 450 students, what do you feel was the most significant accomplishment with this year's summit?

THE PRESIDENT: I think the most significant thing we did here was to commit ourselves to a growth strategy that would include not only our own countries, but other countries around the world, and that would be pursued while improving, not undermining, the environment. And that's quite significant.

We've said these things specifically before, but here we said, look, we're coming up to Kyoto where we're all bound to adopt legally-binding targets to reduce greenhouse gas emissions. So that means we have to grow our economies while improving our environments, number one.

And then we said, we're going to reach out to Africa, we're going to reach out to the developing countries of Asia and Latin America, that our prosperity depends upon their prosperity.

And, to me, I would hope that the students who follow this on-line would look at the world in that way, would see America as a unifying, not a divisive force in the world and would embrace the fact that our prosperity should depend upon others and upon living in harmony with our environment.

I'll take one more -- this gentleman here.

Q The communique, just as you said, will test the importance of four-party talks. Why didn't you urge North Korea to participate in the four-party talks? And I would like to ask you what is your prospect of the four-party meetings?

THE PRESIDENT: Why does the communique not urge North Korea to participate? Is that the question you asked?

Q Yes --

THE PRESIDENT: I would say that it is an oversight and we should have, because I do every time I can. And secondly, I'm fairly optimistic now because North Korea has agreed to participate in a meeting to determine the conditions in which they would meet with the South Koreans and the Chinese and the United States to set out these four-party talks. So I'm fairly encouraged by that.

Go ahead.

Q -- over China will definitely try very hard to sell the so-called one-county, two-system formula and hope Taiwan will be on board. And the leaders in Taiwan made it clear that that formula is not acceptable for them. So I wonder what will be the U.S. policy on Taiwan after Hong Kong is turned over, and whether the U.S. will buy this one-country, two-system formula on the issue of Taiwan.

THE PRESIDENT: Well, the most important element of United States policy will not change as it relates to Taiwan, and that is that there can be no forcible resolution of that issue, and that while we accept the idea of one China, it has always been our policy, for some years now, as you know, we also -- a critical part of that policy is that the people of Taiwan and the people of China must resolve their differences in a peaceable way, agreeable to all.

So that's the only really critical element that we have to reaffirm there. I think the people of Taiwan are going to be -- and the leaders of Taiwan will be watching how the Hong Kong transition goes, and I think that their attitude about what their own position should be will probably be affected by that.

Thank you very much.

END 3:15 P.M. MDT

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White House Press Release

PRESS BRIEFING BY MIKE MCCURRY

THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release June 17, 1997

PRESS BRIEFING
BY MIKE MCCURRY

The Briefing Room

3:35 P.M. EDT

MR. MCCURRY: Thank you to my colleagues for warming up the audience here.

Q The Senate reaction -- what have you got on that reaction?

MR. MCCURRY: I've got an announcement first of major import. No news. Good news. Good news. The arrival on this planet of Ryan Federico Pena, born today at 8:55 a.m. Little Ryan weighing seven pounds, six ounces, and Secretary Pena and his wife, Ellen Hart Pena are doing well, and Secretary Pena is taking time off, taking advantage of the Family Medical and Leave Act.

Q What's his first name?

MR. MCCURRY: Ryan. Ryan Federico Pena.

Q How long does is he taking?

MR. MCCURRY: The White House and the President and all of us wish the family well and the new young son. He'll take two days. I think he's entitled to more under the Family Medical Leave Act. He can take -- two days is better than no days.

What did you ask me?

Q Tax. Senate tax plan -- reaction.

MR. MCCURRY: They're too high, they need to be lower.

Q Reaction.

MR. MCCURRY: They've got a long ways to go. The Senate is going to be doing a lot of work. You heard the President say earlier today that we're seeing some things develop in the markup of the tax bill that are positive -- certainly, the bipartisan work being done on the child health provision the President endorsed earlier today as a positive thing. But we remain concerned that some of the direction of the bill is heading in the wrong direction -- too much in the benefit of Senator Roth's marked skews towards the highest income. And we think the benefits of tax relief ought to be focused on low and middle income. But there is a long ways to go and lots of different iterations of this discussion before they get to a final conference report.

Q Do the Democrats have a unified position yet?

MR. MCCURRY: They're coalescing around some things. I think there is a lot of support on the Democratic side of the committee for the compromise child health measure that was talked about earlier today, and they've got some ideas on other subjects where they've got positions in common, but they'll be contributing ideas and ultimately beginning to work with their House counterparts to fashion a bill that will be suitable to the President.

Q So you like Roth but you only like it in comparison to the House version?

MR. MCCURRY: There are some things that are good about Roth and some things that are not so good about Roth, some things that are better in his version and in the House mark, some things that are not as good. I think everyone knows what they are. We prefer Roth's approach to the House approach on things like the child credit, because the provision in Archer's bill that would have penalized six million families who pay for child care is not in the Roth bill. There's no indexing of capital gains in the Roth bill, which is really one of those things that would explode the out-year costs of the tax bill, which is something the Speaker and the Majority Leader specifically said to the President would not be done, pursuant to the balanced budget agreement. But on the other hand, the provisions on education, tax relief, probably not as good in Senator Roth's bill.

So we will work to fashion a bill that's suitable, providing administration input and we look forward to passage at the end of the day of measures that the President can sign.

Q Mike, the Senate voted today on State Department authorization bill and I wonder if you could comment on two aspects. One, the administration's new relationship with Senator Helms that this exemplifies, and whether you see the bill as a portend or a foundation for further bipartisanship on foreign policy.

MR. MCCURRY: There are certainly many attractive things about the legislation the administration supports. I want to stop well short of giving a blanket endorsement of this bill because there are certain things that we're going to have to work with Congress on. We appreciate the hard work that Chairman Helms brought to the task. It was certainly a stupendous effort by Senator Biden to reflect some of the concerns the administration had. But they've got some additional distance to go on some provisions that specifically concern the White House.

There is, within this legislation, some aspects that we believe micromanage certain aspects of foreign policy making. We're going to work to make our views clearly known on that in addition to the statement of administration policy we made yesterday on it. But on balance, there is an effort to try and work through some of these issues to accommodate points of view. We knew going into this debate that there were going to be certain restrictions placed on commitment by the United States government to retire our debt obligations at the United Nations, and the President I think believes on balance that some of those restrictions are useful and important because they will lead to reform at the United Nations. And that's an objective this administration has. It's clearly a clear objective of Chairman Helms. And we can work together on things like that.

But there are other places where sometimes bipartisan support is hard to find in foreign policy. We just have been talking about one in which there are encouraging signs. This African initiative, I think, will be -- will reflect a real bipartisan approach. But we still have other issues at other times where we beg to differ.

Q The provisions that you say concern you -- as I understand it, the bill now goes to conference. Do you still have an opportunity then, do you feel, of improving the bill or might you have to swallow those restrictions?

MR. MCCURRY: We think there are opportunities within the conference setting to **deal** with some of the issues of greatest concern to the administration. It's not clear that we'll be able to resolve all of those or reconcile all of those, but we'll see. And we'll press hard for the kinds of changes the President wants to see made.

Q Mike, talking about bipartisan, can you tell us about how Jack Kemp came to be among the invited guests today? Was it anybody in particular's idea?

MR. MCCURRY: I don't know. Anyone know? I'll have to check for you, Peter. He has been very outspoken on those issues, obviously, and has had some real concern. But I'll have to check further to see who specifically had --

Q Mike, do you have any comment on Senator Leahy's land mines legislation? He says 58 senators are now on board. Is the White House ready to join him in this effort to ban land mines?

MR. MCCURRY: Well, we long ago joined Senator Leahy because he has been a tireless proponent of **dealing** with antipersonnel land mines and **dealing** with the horrible destruction that they cause, especially for children the world over. We have a disagreement as to tactics. We think that in order to be effective, a land mine ban is going to have to be comprehensive and global. And we believe the way to get that is in Geneva at the Conference on Disarmament.

We've never -- we think it's useful to go ahead with the so-called Ottawa Process in Canada with which we can try to negotiate with countries that are interested in an immediate ban. But in the long run, for this to be truly effective as a global regime, we're going to have to have countries like China and Russia participating. They are not present in the Ottawa Process. So we remain convinced that we are on the right track in terms of how to achieve the objective that we share with Senator Leahy.

Q Will we sign on with Ottawa?

MR. MCCURRY: We've said we see that as a complementary process, and we will continue to monitor that, but we think that an effective global regime has to be written in a venue like the Conference on Disarmament in Geneva.

Q Why can't you do both?

MR. MCCURRY: You can pursue both, but you won't get a global regime in Canada because there are countries not participating in the Ottawa process that would be a necessary to have a truly global solution to this problem.

Q But how does that square with our stand on the Chemical Weapons Treaty where the administration, of course, pushed to have that ratified, even though a number of countries known to be promoting chemical weapons have no intention of signing? Isn't this the opposite approach now on land mines?

MR. MCCURRY: It's a different approach on a different type of issue. The regime with Chemical Weapons Convention was an already ratified international instrument. It was already a negotiated international instrument that needed ratification, so the question was ratification. We're back at square one on a global land mine regime that we need to negotiate the document in the first instance.

Q Mike, I wanted to revisit a question of a few weeks ago I brought up about the Mike Espy case, which you deferred at the time because it was under seal, but the Court has now unsealed the executive privilege issue. It's basically the same question I asked then. How does the White House reconcile its statement in '94 that it would comply with subpoenas with a pretty concerted effort to exert executive privilege in the case of some subpoenas?

MR. MCCURRY: Well, as the Court's opinion today has demonstrated by strongly reaffirming the President's constitutional right to protect confidential communications both directly with the President and among his senior advisors, there were issues important to the institution of the presidency that went well beyond the question of whether or not there would be cooperation with the Office of Independent Counsel. And I suggest you all read the opinion very, very closely because it details the level of cooperation that did exist, the document production that did exist, the whole process that was used in this case to examine the question of what was the necessity of a compelling production. And in fact, as the Circuit Court looked at these questions, the legal reasoning that was used by the White House was very strongly affirmed.

Q Does that mean, though, that you're saying that complying with subpoenas, to fully comply is really a relative term?

MR. MCCURRY: No, it's not relative, and that's an artificial construct. In any courtroom in this country, questions of privilege are dealt with all the time. That's a common issue, and there are things that, rightfully, to protect the institution of the presidency remain confidential because they are necessary for the functioning not only of this White House, but for future White Houses. There are privileges that are needed not only by Bill Clinton to conduct his constitutional duties, but future presidents will need, and there are times in which those constitutional obligations have to be defended and argued in court.

But at the same time, as the opinion makes clear and as you can see for yourself, there can continue to be the kind of production that allows prosecutors to go ahead. If prosecutors as demonstrated in this case feel they need additional material, they have what the court has now called a very heavy burden imposed on them when they're seeking access to confidential documents to demonstrate that they are necessary for production. And I think the test would seem to make sense, and the Circuit Court has now remanded back to the District Court the issue so this test can be applied in the case of individual documents. And that's -- it's entirely proper and consistent with what the White House argued in the case.

Q But as it's retested again in the District Court using those new criteria, will the White House continue to say that it is complying?

MR. MCCURRY: Absolutely, because they are and the documents they are protecting, as the opinion demonstrates, are those that are properly privileged to begin with.

Q So, basically, you're saying there is no contradiction to be saying we will comply with this subpoena and asserting executive privilege to fight some of those --

MR. MCCURRY: Right, and the prosecutor has to overcome the burden -- or has to pass the heavy burden placed upon him to demonstrate why those confidential communications are necessary for the prosecution. And I think the White House would say that that's as it ought be.

Q The White House supposedly refuses to intervene to try to resolve the **tobacco** dispute. Is that true?

MR. MCCURRY: We have not intervened at any point in the process. We have monitored the discussions the parties are having and we hope that they will result in what the President wants to see happen, an agreement that would implement the public health policy objective that he has. But they have to reach that agreement and we have to be satisfied that we'll actually meet the test the President has put forward and that will require some process of examination on our part. But it's hard for us to evaluate something that's not concrete and substantive in nature.

Q But if both sides have asked you to come in and close this **deal**, why not do that?

MR. MCCURRY: Because we're not a party to the negotiation and we never have been. And we've all along indicated here's what our needs are. Our needs are something that would move quickly as possible to the public health objective the President has articulated ever since we announced our initiative. And they know that and this no doubt will lead them to try extra hard on those remaining issues which there are apparently only a few which they lack agreement.

Q One of the things that the Attorneys General are clearly concerned about is that they do a **deal** on punitive damages and then the White House pulls the rug out from under them and says, oops, that was a bad idea for you to do that. So they're clearly looking for some guidance from you to say, does this work, does this not work.

MR. MCCURRY: I think if you question the Attorneys General on that, they'll say that they've gotten some guidance on that question from the White House. The issue is whether or not at the end of the day they're going to be able to reach any agreement with the parties, and we can't write that agreement for them. They may get to a point where they're just not going to get an agreement on that one specific issue.

Q What guidance have they got from the White House?

MR. MCCURRY: We have just said, look, our views on tort reform are pretty well-known. We're looking for something that would achieve the public health objective and something that would overcome any limit on the ability of plaintiffs to seek punitive damages. I mean, that would be an extraordinary departure from what normally we would think an individual citizen has a right to have access to and it would have to be in exchange for something that was truly important in meeting the public health objective the President has articulated.

Q -- over any limit on the plaintiff's right to sue? Right now there are no limits. They're talking about putting limits on.

MR. MCCURRY: Right. I said to overcome any limit on that it would have to be in exchange for something that would be extraordinarily helpful in meeting the public health objective. And the parties know that and they haven't been able to arrive at any formula that works.

Q Mike, that doesn't really answer the question, though. Because you're saying to them, if what I'm taking is correct, you're saying, you figure out whether you think it's a good **deal** whether the trade-offs you're making are wise, and then we'll review it. And what they're saying is, help us, help us say is this a good trade-off.

MR. MCCURRY: They're saying a lot more than that. I'm not going to try to make their argument for them.

Q Why would you need to review it after the fact if Bruce is already keeping in touch and knows sort of blow by blow what's happening?

MR. MCCURRY: Look, think about the length of time it took for us just to promulgate the rule, the analysis, the extensive study that went into it took a great **deal** of time. And there would, no doubt, be those who would object to or oppose any proposed settlement as it made its way through Congress and to the President, and there would need to be a good, substantial analysis that said that this was in the best interest of America's public health.

Q What does Bruce do at this point in the process, if not keep in touch with --

MR. MCCURRY: He listens to where they are and gets a sense of how close they are to an agreement and how far away they are from an agreement.

Q But without knowing the substance of the agreement?

MR. MCCURRY: Well, he knows the substance of their discussion, but there is no agreement at this point so you can't know the substance of the agreement.

Q What if the parties came to the White House and said, this is as far as -- here's the trade-offs we've made on these two issues, and if we don't get any clear guidance from the White House that this would be acceptable to you, then the talks will collapse? What do you do in that situation?

MR. MCCURRY: They may get -- I doubt they'll get to that point. They may get to a point where they say, this is the best that we're going to be able to do on this issue and we're interested in what your analysis is.

Q And you would give the analysis before there was actually a final announced **deal**?

MR. MCCURRY: Well, there wouldn't be a **deal** in that case. They would say, this is as good as we're going to do and we've got one issue that's outstanding and here are a variety of ways that we might be able to resolve it.

Q In other words, you might -- are you saying that you might do this analysis of a not completed **deal**, an incomplete **deal**? Because my understanding was you were waiting for them to present you with something.

MR. MCCURRY: Look, there are any hundreds or millions of items that could be in an agreement that may end up at a place where they don't have the specific question to address. We'll just have to see what happens.

Q Mike, can I just clarify one point? Did you say that if the benefits to the American people -- namely, stopping children from smoking -- are good enough, the White House would support a **deal** that would limit the punitive damages that the **tobacco** industry --

MR. MCCURRY: I was very careful not to say that and I won't say that because that's not where we are right now. We're going to have to look at what all the -- in any negotiated settlement of this nature, there are lots of different trade-offs and lots of different issues. That's the way parties reconcile differences when they negotiate. And we have to look at the total package and what's involved. There's not a direct, one-for-one exchange; but there may, in fact, be some very positive things in any proposed settlement that gets this nation quicker to the day in which we're discouraging kids from smoking, and the industry might be willing to do a lot of different things to get to that point. And we'd have to take a look at what are they and what are the trade-offs that go in the other direction that involve whatever issues are related to --

Q If they're really --

MR. MCCURRY: I'm not going to -- I can't write the **deal** for you.

Q No, I don't want you to write the **deal**, but if those trade-offs are really excellent and the benefits to children and the American people are really terrific, better than you can imagine -- (laughter) -- in exchange for that, would you be willing to accept a limit to the damages from **tobacco**?

MR. MCCURRY: We'd have to take a look at exactly how it's written and what it says.

Q Would such a limit be constitutional?

MR. MCCURRY: Sure, I mean, that's been the case in which **liability** limits have been placed in the past in other similar types of public health issues.

Q Are you still planning to follow the lead, or at least take extremely seriously the verdict that the public health community renders on whatever --

MR. MCCURRY: I think that will be very important, and we have made clear to everyone that the reaction to those who have been tireless in their advocacy of the public health interests of the American people will be very much on our minds.

Q And just one other question about this. Can the President imagine a **deal** that would both meet his objectives and also, when it's announced, boost the stock of the **tobacco** companies? (Laughter.) No, I mean, is that -- is something that is good for the **tobacco** companies' bottom line also --

MR. MCCURRY: It's a wildly hypothetical question that leads to speculative activity in the market -- two good reasons not to respond.

Q Do you have a clear position on criminal **liability**? Any limits in that sense?

MR. MCCURRY: I'm not aware that criminal **liability** has been an issue. I thought they were talking about civil damages. But I'm not familiar enough with the details.

Q Just to follow up on Mara's question. How important is it to the President that this be an accomplishment maybe that he brings to the country? This would be a pretty big **deal** for him.

MR. MCCURRY: Oh, I think the President feels strongly, if not passionately, about the issue, and I think if we could avoid protracted litigation on the proposed rule that's been put forward by the Food and Drug Administration that leads us sooner to the day in which we are accomplishing the President's public health object -- reducing smoking by young people, preventing them from the danger of **tobacco** use -- he would have to look long and hard at that **deal**. And indeed that's one of the reasons why we have so actively monitored the discussions that are underway, because they present the possibility of getting us sooner to the day we have the public health policy in place that the President advocates.

But we recognize we may not get there and we may have to continue to pursue the regulatory path that we put forward because in the end of the day the parties themselves may not be able to reach agreement.

Q Mike, one thing that's a little bit confusing about this -- you said from that podium that the President's blessing on this **deal** would be the single most important factor to getting it through Congress, or at least you couldn't imagine something getting through Congress that he didn't bless.

MR. MCCURRY: Well, I haven't said -- the parties themselves have said that, I don't need to say that. They say that themselves.

Q But you don't disagree with that.

MR. MCCURRY: I think that's almost obvious.

Q That's pretty obvious, okay. Then that gets to the next question: Why, if he is the single most important factor, wouldn't he be in there trying to shape a **deal**, since the only **deal** that can get through Congress is one that he likes? Why not try to get the one he wants?

MR. MCCURRY: Because we already did that work. We put forward the public health objective and policy that must be in place for the President to be satisfied. We did that work in August of 1995 when we began the rule-making process leading to the promulgation of the rule itself, so that it was clear and has been clear to the parties exactly what will be the outcome at the end of the day, we believe, of the rule-making process that's underway. We did shape this agreement, and that's exactly why these parties are probably continuing their dialogue.

Q Because if you're going to say that you're nervous about blessing something in advance that might look, after it's been out in public for a couple of weeks, like it fell out --

MR. MCCURRY: No, we're simply not going to bless something that we haven't seen.

Q As close as this **deal** seems to be right now --

MR. MCCURRY: Or as far away as it may be, as it is right now.

Q -- the White House is willing -- and all the good public policy objectives that you think might come out of it, the White House is willing to walk away and not step in at this juncture if it meant not having a **deal**?

MR. MCCURRY: We wouldn't be walking away from anything, having not been a participant in the negotiations at the outset.

Q Well, why not become a participant to make sure that these parties come together and reach a **deal** that would meet your criteria?

MR. MCCURRY: We've encouraged them to continue their discussions, and they have. And I think there are powerful reasons on both sides why they have done that, and some of them have a lot to do with what the President has put forward publicly.

Q One of the Attorneys General told us today that they thought that the President was being unpresidential at this juncture, that he was stepping back away from this at a time where they very much need him to step into it and perhaps save a process from falling apart. So why not?

MR. MCCURRY: Look, that's an unfortunate characterization. I doubt that reflects the real sentiments of many of the Attorneys General participating in the process. By and large, they appreciate the support and leadership they've had from the President on this issue. They know where his mind and heart is on this issue. They know that they wouldn't be at that table as close as they are to a settlement without the work that he's done on the issue.

Q But that wasn't the question.

MR. MCCURRY: The question was about stepping into it, which is something I don't think we're going to do.

Q Let me follow up, then, Mike, if I can. If it was important enough for the President to step into the baseball strike, why not important enough to step in and resolve this --

Q Because that was a big mistake. (Laughter.)

Q -- and resolve this?

MR. MCCURRY: Because children don't die as a result of going to major league baseball games, Wolf, among other things.

Q But that's the point.

Q Then it is even more important.

MR. MCCURRY: There's a difference in magnitude of the issues.

Q Wouldn't that be more imperative? Wouldn't that be the reason it would be more --

MR. MCCURRY: You're missing the point I made just a moment ago. We, in a sense, entered into this when the President stepped forward and went ahead with rule-making, because that's there and it will remain there. And the parties know that it's there as the outcome failing any kind of -- and that's a very important inducement for them to continue their dialogue.

Q Change of subject?

MR. MCCURRY: Please. (Laughter.)

Q On the ozone rule that's put out by EPA, how close are we on that? I understand that there are some compromise **deals** being cut already and that Erskine Bowles has participated in the --

MR. MCCURRY: I'm not aware of any "compromise" **deals**. I know that they are continuing a very careful review of the rule-making process and the OMB continues its review of the issue, working very closely with the other agencies that have been directly participating, and they are, no doubt, getting closer to the finish of that process. I don't know how close.

Q Do you have a readout on the President's meeting with Bishop Belo?

MR. MCCURRY: I do. They had a good discussion of issues related to human rights, specifically in Indonesia. And the President expressed his interest in peace and reconciliation for the people of East Timor and our willingness to continue to raise issues with respect to human rights and our discussions with people in the region, specifically with the government of Indonesia.

They met for about -- I guess the Bishop met for about 45 minutes with Sandy Berger. The President dropped by for about 15 minutes. And they also discussed other issues of interest to both the President and the Bishop; a very cordial meeting.

Q Why did he decide to meet with the Bishop and not with the gentleman who shares the Nobel Peace Prize with the Bishop when he visited last month?

MR. MCCURRY: Well, I think we were out of the country when he was here last month, if I'm not mistaken.

Q On another subject. The Republicans are reintroducing the antiaffirmative action legislation. Is there anything in particular the President plans to do to stop it? And does he have any thoughts about the fact that they're reintroducing it after quite a long lull?

MR. MCCURRY: Well, the President addressed his general views on the subject of affirmative action in his speech on Saturday and I think eloquently made the case of why that needs to be a tool that is continued at the government's disposal as we **deal** with discrimination that is still evident in our society.

We have not solved problems related to discrimination in the workplace, and sometimes one wonders whether those who advocate abolishing affirmative action understand that clearly. But we will continue respectfully to disagree with them. I think everyone knows the administration's position on the Hatch-Kennedy bill last year, and it was subject to a veto threat. And no doubt as we see the final version of this legislation, if it is the same, it will be so again.

Q One other question -- do you have a readout on the meeting with the Macedonian President?

MR. MCCURRY: Yes. They met for about -- the only thing I didn't have was time. I think they met for about a half an hour, approximately, a half-hour or so. The President welcomed -- they discussed a wide range of bilateral regional issues. The President noted that the FYROM is a model of stability in a very turbulent region of the world -- the FYROM being the Former Yugoslav Republic of Macedonia. The President praised President Giligorov for his statesmanship in resolving differences with neighbors and in promoting ethnic tolerance at home.

As President Giligorov I believe told some of you, they discussed at length the U.S. presence as part of the U.N. Preventive Deployment Force that is in Macedonia, the importance it places in creating stability along Macedonia's borders. President Giligorov expressed his gratitude for the continued U.S. participation in that U.N. mission. And the two leaders also reviewed the overall security situation in the South Balkans and participation of the FYROM in NATO's Partnership for Peace program. They also talked about bilateral issues, talked about the general security situation in the Balkans.

Q One quick follow-up -- there were protesters outside demonstrating against what they said -- they said there was no free media, no democracy in Macedonia. What's the administration's position on democratic reform there?

MR. MCCURRY: Well, there is -- we have expressed our concerns to the government in the past about the need to nurture and develop and strengthen democratic institutions there. On balance, they have been working through a lot of those issues, as have other contiguous parts of what used to be Yugoslavia. It's certainly safe to say that in the FYROM the progress towards those objectives has been greater than elsewhere in the former Yugoslav Republican -- or some other places in former Yugoslavia. They do have some things that they need to work on, and we have addressed those from time to time.

If you look at the most recent State Department human rights report, there is a further discussion of that and I'll save you the rest.

THE PRESS: Thank you.

MR. MCCURRY: You're all welcome.

Q On East Timor, one last question. President Soeharto said that he would not be pressured by developed countries on the issue of human rights. What leverage does the Clinton administration have in Indonesia, given the controversies and whether or not the President is going to go ahead and use any leverage he does have?

MR. MCCURRY: Well, we have raised -- we recently, at the U.N. Conference in Geneva, raised our concerns about Indonesia and received, we think, a strong degree of support within the international community. Indonesia as a strong and growing economy in the Asia Pacific region looks to its engagement with other like-minded nations and the international concern expressed about human rights issues or workers' rights issue or East Timor specifically is certainly of notice and is noted by the government of Indonesia and we believe has an impact.

THE PRESS: Thank you.

END 4:05 P.M. EDT

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White House Press Release

PRESS BRIEFING BY MIKE MCCURRY

THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release June 3, 1997

PRESS BRIEFING BY
MIKE MCCURRY

The Briefing Room

1:48 P.M. EDT

MR. MCCURRY: Well, the Press Secretary has arrived for today's daily briefing. Mr. Blitzer, thank you so much for getting us underway with the first question from CNN. It's always a pleasure to see you in the Briefing Room. No, I don't have contract negotiations going on with him, that's not true. (Laughter.)

Q What do you think about this effort to strengthen the TV rating system so that networks have to tell more about the content of these programs?

MR. MCCURRY: Well, the President for a long time has been strongly in favor of that, as you know. When he announced the voluntary industry rating system last year, he said it was really up to parents and the industry to work together to evaluate the system that's in place, and I gather from the discussion today that there are some within the industry who feel like the parents have now spoken and that they see some inadequacies in the rating system. What we want to do is to see those who represent the needs of children, the interests of parents work closely with broadcasters to perfect and fine-tune a system -- because it's clear and it's probably common sense that a uniform system of ratings is going to be much preferable for most parents, most consumers. They're going to be able to figure out what the system is and how it works.

So we will encourage -- the President will encourage the industry to continue to work closely with those who are evaluating the rating system. But in some sense, what's happening is what we wanted to see happen, that people would evaluate the ratings in place to see if they provided enough information and that they would make any necessary changes so that people would have the kind of information that they want.

Q Are you able to say whether the President agrees with his private attorney, David Kendall, as to the very harsh things he had to say in a letter today to Kenneth Starr?

MR. MCCURRY: I am certain that Mr. Kendall discussed that letter with his clients. I think it's accurate to say Mr. Kendall was somewhat provoked by a Sunday New York Times Magazine article. I think, as his letter notes, he's had a private discussion and private correspondence underway for some time, but I think he just felt enough was enough and it was time to say some things publicly. He felt almost he had no choice but to say some things publicly. And his clients certainly agree with that judgment.

Q Was the President provoked by this article as well?

MR. MCCURRY: Well, he agrees with the sentiments expressed by Mr. Kendall.

Q Is this the beginning of a new strategy?

MR. MCCURRY: This is not a strategy, it's an anxious desire to see this matter come to some kind of completion, as Mr. Kendall says in the letter.

Q Mike, along the same lines -- tactics by the President's private attorney, does he approve of the public posturing that's been going on by both sides in the Jones case? The cross-fire on the talk shows and some of the statements that lawyers on both sides are making about each other?

MR. MCCURRY: I don't agree with the characterization "public posturing." There was a lot of interest in this over the weekend. Mr. Bennett was available to answer questions about it.

Q Excuse me, but if I could follow up, it goes beyond that, Mike. You don't think -- if it's not public posturing, what is it?

MR. MCCURRY: There are interview programs that many of your news organizations run and they want guests. I mean, you can imagine that this would not have been our first choice for a subject for interviews this past Sunday, but since news organizations wanted to have questions answered, it was proper for the President's attorney to answer questions.

Q Is it right to assume that the President agrees with his attorney about that when he talks about holding up Paula Jones reputation --

MR. MCCURRY: I just don't want to get into that matter, and I think you should ask Mr. Bennett about that.

Q I'm sorry, I think the specific question is that specific constituency groups, which are of importance to the President, as well as some major news organizations in their editorials have specifically called upon the President to direct his counsel to avoid this particular tactic because of the feeling that it is inappropriate in light of the sensitivities of these groups. I believe that is the question. Can you answer that?

MR. MCCURRY: I'd like for you to direct that question to

Mr. Bennett.

Q Mike, the question goes to the President.

Q Yesterday, the National Organization of Women said that they don't think women who make charges of sexual harassment should have their --

MR. MCCURRY: That's the question she just asked.

Q Right, and you can't speak just in general --

MR. MCCURRY: I just want you to direct that question to Mr. Bennett, if you would, please.

Q Mike, we're not going to get off this -- that's not a legal question, it's a political question.

MR. MCCURRY: Right, and my answer is, I want you to direct the question to Mr. Bennett.

Q Are you saying we can't assume that Bennett speaks for the President when he says that?

MR. MCCURRY: I think I want you to direct the question to Mr. Bennett. It's pretty clear.

Q Well, why do you want us to direct it to Mr. Bennett?

MR. MCCURRY: Because I want him to answer it.

Q Why would the President's private attorney answer a question about whether the President is --

MR. MCCURRY: He could answer that question for you.

Q -- he speaks for the President, reflects the President's wishes?

MR. MCCURRY: I think it's certainly true that he represents the President on this matter, correct.

Q Do you know if they've spoken since the Sunday talk shows?

MR. MCCURRY: I don't know the answer to that. I can check on that.

Q Mike, is the President the only person that Mr. Bennett has discussed his legal strategy with -- the only person from the White House?

MR. MCCURRY: No, I mean, he's said in his interview that he has discussed it with a number of people, including her representatives as well.

Q At the White House, I mean. White House staff -- has he discussed it with White House staff?

MR. MCCURRY: He may from time to time just give people a sense of what he's going to be doing publicly. And that's, you might gather, one of the reasons why I'm directing you in his direction.

Q On the subject of who discussed with whom, was it Kendall's idea to write this letter and he called the President, or was it the President's idea -- hey, I'm angry about this, write him a letter?

MR. MCCURRY: My impression from talking to Mr. Kendall was it was really -- he was provoked by this article. He's had, as he says, a lengthy private correspondence with Mr. Starr on this matter, and he felt it was time to say some things publicly in response to the Times Magazine article, by which we have no quibble with the article, it's more the way in which Mr. Starr uses the article for his own purposes.

Q Did he call the President and say, I want to write this, is it okay?

MR. MCCURRY: I assume that they had some contact within the last day or so about his desire to write this letter, yes.

Q Did the President indicate at the meeting with the House members that he would be willing to go along with some sort of pilot project for MSA -- Medical Savings Accounts -- for Medicare recipients?

MR. MCCURRY: I think they had a good discussion generally of the issue and how you would look at the question of medical savings accounts. I think it's more accurate to say that the President expressed some very real concern about the revenue drain on the trust fund of a full-scale implementation of medical savings accounts.

Q Does he feel there's any difference between the MSAs for non-Medicare recipients than MSAs for Medicare recipients?

MR. MCCURRY: Did you hear that issue addressed, Barry?

Q Are his concerns the same or does he have different kinds for offering these accounts to the --

MR. MCCURRY: Yes, you would have different populations if it's a Medicaid-related or Medicare -- different needs, different situations.

MR. TOIV: Similar concerns, but, obviously, the trust fund concern is --

MR. MCCURRY: Yes, the trust fund -- Barry is right -- the trust fund issue is the one the President specifically addressed. Obviously, that's Medicaid-specific.

Q So, but he's still open to a demonstration project for each population? I mean, he's already obviously approved --

MR. MCCURRY: Well, we already are watching this one experiment underway. And we'll work closely with Chairman Thomas and understand his desire to look more carefully at the question of medical savings accounts, and we'll see whether we can make any progress on how you would structure any pilot or demonstration project.

Q Chairman Thomas came out of the meeting, though, and told us he had insurance that the President would not veto any demonstration program that he thought could go up to as many as 500,000 people. Is that the way --

MR. MCCURRY: Well, I'm not -- he's going to now be in the position to actually write the legislation. I think it would be better to see how they develop that issue. We'll continue to consult closely with them, as I said.

Q But did he understand correctly?

MR. MCCURRY: That specific point was not addressed by the President. But he will continue to have ongoing discussions with White House staff and others.

Q Representative Thomas said that he has assurance from Erskine Bowles. Maybe he did not hear it from the President, but presumably Erskine speaks for the President.

MR. MCCURRY: He will continue to have staff level discussions. And we'll watch carefully how they develop, anything related to a demonstration or pilot project. That would really be more for the Chairman to announce publicly.

Q What does the White House think of the other proposals that Representative Thomas is making today, three strikes and you're out proposal, if doctors cheat Medicare three times and they're caught, they're barred from participating in Medicare for life?

MR. MCCURRY: As a general proposition, the Attorney General and others -- the Department of Health and Human Services has been very adamant about cracking down on Medicare fraud. We've been pursuing a number of steps on our side as executive matters that **deal** with Medicare fraud, so we would welcome a collaborative effort, working with Congress to **deal** with those questions. The specific point, as far as I can tell, did not come up at the meeting.

Q What about his proposal to provide some additional preventive procedures for Medicare recipients like mammograms and vaccines and diabetes tests?

MR. MCCURRY: We have some -- remember, within our Medicare proposal, we do have exactly some of those types of expansion of coverage, and we would welcome an effort to work cooperatively with Congress in structuring those types of necessary expansions even as we're working to reduce costs of the program and extending the solvency of the fund into the next century.

Q Mike, does the President endorse Senator Lautenberg's proposal to ban smoking in private and nonresidential buildings as well as government buildings and all domestic and international flights?

MR. MCCURRY: We are looking at proposals concerning banning smoking in federal buildings. Currently, the Department of Defense and the Department of Health and Human Services have got those kinds of prohibitions. There are some General Service Administration regulations, published in 1986, that already restrict **tobacco** use in about 10 percent of federal domestic facilities. We also have got a rule-making underway through OSHA and the Labor Department on the general subject of secondhand smoke.

So there is a regulatory process underway and that was -- yielded, I think, almost an unprecedented number of comments. So we will, through both the regulatory process and then through what GSA is doing, evaluate those proposals. I'm not aware the administration has a specific position on Senator Lautenberg's bill.

Q But they prefer then to go through this procedure before it's legislated?

MR. MCCURRY: That procedure is underway and I think we want to work with Congress and see what the applicability of that would be to federal facilities.

Q Beyond this OSHA rule-making for secondhand smoke, are you saying you've left it up to each agency to decide for themselves -- you said several agencies already have --

MR. MCCURRY: Some agencies already have -- I think they've got the capacity within their own departments to provide further restriction, and then GSA has got the general prohibitions that apply to all federal facilities. And as I say, they've been in the process of evaluating those restrictions that are already in place.

Q Did you state the White House on the Miami case, on the suit?

MR. MCCURRY: I did not get anything specifically on the Miami case. I'm sorry, we should check and see if there's anything specifically on that case -- not that I'm aware of, because I don't think the federal government's a party in that suit.

Q And also, do you have a reaction on the Canadian elections, and does the President plan to call Prime Minister Chretien?

MR. MCCURRY: I think that the President had intended -- and maybe we can get a confirmation that it has occurred, because it was supposed to happen just a short while ago -- he intended to call Prime Minister Chretien and congratulate him on his party's victory in the parliamentary election. We have very close working relationships with the government of Canada and the United States has long enjoyed very close relations with a strong and unified Canada. We will continue to pursue those issues that we work together with the government on as they relate to the matters we're **dealing** with currently in Europe and in this hemisphere, where we do so much work with the government of Canada.

I'll try to get a readout on the call if it occurred. We'll maybe get that before we quit.

Q Do you have any general characterization of the meeting today? The Republicans seemed happier than the Democrats coming out.

MR. MCCURRY: Well, I don't know if that's a fair characterization. I mean, we are working -- I heard Congressman Rangel say afterward, we're working in a bipartisan way and it's going better on some of these health issues than elsewhere within the balanced budget agreement, but we are learning to live under cohabitation ourselves here. And that requires some adjustments.

Q Can you just give me a general -- was very, very happy and the Democrats were less than very, very -- just give me some general --

MR. MCCURRY: I thought the mood -- and Barry was in for most of the meeting. You'd characterize the general feel of this meeting as being warm and productive, moments of candor? (Laughter.) Moments of candor, some moments of disagreement, but generally positive working spirit as they work through these issues, moving forward -- is that an accurate characterization, Mr. Toiv?

MR. TOIV: Yes. (Laughter.)

MR. MCCURRY: Do you want to offer a better one than that? Do you want to do -- does anyone need a little more?

Q I withdraw the question.

Q Well done, Barry.

MR. MCCURRY: Was that good enough for you? Do a little more specifics.

MR. TOIV: On that point, there was a lot of back and forth among Democrats and Republicans about how cooperative everybody is being in trying to put together this balanced budget package. And there really was a sense in the room that we can get this done and that we can work together despite the disagreements that do exist on some issues -- that we can get this done. And so, it was very positive, actually.

Q Can I -- on the Timothy McVeigh verdict, how is the President reacting to the verdict and the follow-up, the reaction of the survivors and the family members to the verdict?

MR. MCCURRY: Well, he has followed those developments closely. He's been very measured in what he has said for the obvious reason that the jury is now entering the next phase of its deliberations with respect to the penalty assessed for the crime that they have found Mr. McVeigh -- the crimes they have found Mr. McVeigh guilty of.

The President, as you noted, did not comment specifically on the verdict yesterday, but he had some general thoughts for the people of Oklahoma City who have suffered. And those people -- the families of the victims, the community itself -- are very much in the President's mind as the nation goes together through the collective effort of understanding and **dealing** with the consequences of the trial.

Q Looking back on the President's participation in the memorial service two years ago after the Oklahoma City bombing, a lot of people believe that was almost like a turning point in his presidency because his approval ratings went up afterwards -- the way he responded. When you look back on that, do you think it was --

MR. MCCURRY: Wolf, I -- that was such a horrible moment in the life of this nation that I'm just -- I'm not going to put it in the context of domestic politics. It was so much more beyond that and required so much more -- so much deeper response collectively on behalf of the country and on behalf of the administration, on behalf of the President -- I'm not going to attempt to put it into some political prism for you.

Q Mike, in the days leading up to the verdict or in the hours since the verdict, has there been any stepped-up security hear at the White House or in Washington that you're aware of or that the White House has approved of?

MR. MCCURRY: Not that I'm aware of. But as a general practice, I just don't comment on security features in and around the complex for the simple reason that that usually works against the interests of making those measures effective. But I'm not aware of anything in particular.

Q On a related issue, are you aware of any suggestion or idea being circulated for extending the closure of Pennsylvania Avenue on either end?

MR. MCCURRY: Not that I'm aware of, unless there's something within that long-term National Capitol Planning Commission -- long-term study that has many delightful ideas, not the least of which is a gigantic briefing room right underneath that mound of dirt out there, which is safe to say, along with other ideas, will probably never see fruition at least in the lifetime of this.

Q Save the trees.

MR. MCCURRY: I thought these were killer -- once declared killer trees from this very podium.

Q Not these trees.

MR. MCCURRY: Not these trees?

Q No, that was in --

MR. MCCURRY: They're in California.

Q No, that was in Tennessee.

MR. MCCURRY: The President of United States and the Prime Minister of Canada had a warm 11-minute telephone call in which the President of the United States congratulated the Prime Minister on his coalition's victory. They discussed the upcoming agenda for Denver and Madrid. And I'll bet when we get the mem-con on that, they talked about when they might again play golf, since that's something they enjoy doing together, but won't --

Q Are the President's knees shaping up for that?

MR. MCCURRY: Things are moving along. I haven't seen -- it's been rainy, though, so he hasn't been able -- the next step along the way is chipping, and chipping was supposed to happen sometime along about the U.S. Open. But that hasn't --

Q Is he going to the U.S. Open?

Q Yes, is he?

Q Does he plan any meetings with Tiger Woods?

MR. MCCURRY: He's not going up there. They had talked about it. They had talked about it at one point, but I don't think anything has been finalized.

Q Did you ever find out if he had read Robert Reich's book? There was a question about that the other day.

MR. MCCURRY: I forgot to -- I did not ask him that. Forgot to ask him that.

Q Any more details on the press conference time?

MR. MCCURRY: No, although I'm getting shot down now on the idea of doing one in the middle of the week, but we are most likely going to do it in Denver. He is going to have a -- at the conclusion of the G-7, or G-8, Group of 8, Denver Summit of the 8, whatever we're calling it now -- Summit of the Eight --

Q Gaggle?

Q So there will be two questions per leader, is that the **deal**?

MR. MCCURRY: No, the President will be there by himself. And I was assured --

Q So this is in lieu of something here?

MR. MCCURRY: Yes.

Q So no press conference on the 10th?

MR. MCCURRY: Nothing on the 10th, but on the -- whatever that day is -- what is it, the 17th -- that Sunday?

Q Twenty-second.

MR. MCCURRY: Twenty-second.

Q Mike, there's a month left until July 4th. What is he doing to get campaign finance legislation --

MR. MCCURRY: Some things that I -- I don't want to preempt Rahm Emmanuel's next news hit on that subject, so I can't tell you right now. But we're prepared to do some things that may happen within a matter of days.

Q -- reportedly started an interagency task force on chronic **liability** reform.

MR. MCCURRY: That's a great idea. I didn't know -- is that going to happen? According to your sources, Kathy is going to head that effort up? An exceptionally good choice for that, given her background.

Q Consumer groups are concerned that the President now is shifting his position away from last year when he vetoed the product **liability** bill to wanting to cut a **deal** with business groups.

MR. MCCURRY: No. In our veto message on the product **liability** bill, we gave a road map to how you could successfully **deal** with some of the tort claim issues that were embedded in that legislation. We had worked, as you know, very closely with Senator Rockefeller and others on that question and would like to see legitimate tort reform occur, but within the contours that the President embraced in that veto message. And I think that the purpose of evaluating some of the various proposals out there and looking at them from an interagency perspective is to see how that would work.

We also have a significant **liability** issue that exists within the **tobacco** industry that may or may not become a subject that the administration has to **deal** with at some point. By the way, initially that task force I think was seen as something to evaluate **tobacco liability** issues with respect to some of the **tobacco** talks. I checked that out last week and that's not its purpose; it's a broader-based product **liability** task force, as I understand it.

Q Mike, is Richardson going back to the Diplomatic Republic of the Congo this week?

MR. MCCURRY: We've said it's very likely he will go. We have not formally announced his departure and his itinerary.

Q Any run-up to the speech that he will make on race relations out in San Diego? Can we expect something later next week preceding it?

MR. MCCURRY: I think that's correct. It will be most likely next week. The President has continued to meet with some of his advisors on this issue, looking at what he might articulate as goals, as achievable and substantive outcomes of a process of having this country think about and talk about race relations and reconciliation among diverse types of Americans of many different walks of life. And he's been thinking hard about it, talking hard about it. He had a very good meeting today with the Vice President, the First Lady and others, and I think he's putting a lot of thinking time into exactly how he structures the remarks that he makes at the University of California San Diego. He wants something that is both a combination of oratory and hortatory, and also specific substantive achievements. And finding the right balance is difficult.

Q Leading up to it, or is it all going to be on Saturday?

Q What's hortatory?

MR. MCCURRY: There will be some things. There will be some things.

Q In other words, Mike, let me put it -- is there a Friday piece here?

MR. MCCURRY: More like a Saturday radio address piece, maybe.

Q Mike, what's the First Lady's role? This is the first time --

MR. MCCURRY: She's been a part of some of these discussions and was in on the meeting today and had some observations.

Q And other than who you've mentioned, who else is in that group? I know he was reaching far and wide, but --

MR. MCCURRY: He's got a number of Cabinet-level people, senior staff people at the White House, interesting people who don't normally work on maybe policy-related developments, but who are themselves interested in this issue, particularly, who have got some insight and expertise, mostly made up within the administration, although we've been reaching out to a fairly broad group of people outside the White House, as well, as we prepare the President's thoughts on the subject.

Q What Cabinet-level people?

MR. MCCURRY: We can get a list -- I mean, there's a bunch of present and former members who have participated. I had it here, I thought.

Q Slater or Alexis Herman possibly on the --

MR. MCCURRY: Yes, absolutely. Although I don't think Secretary Herman was at the meeting today, although she has participated in some of the previous sessions. But Secretary Slater was there; former Secretary Cisneros has participated in some of the discussions dating back to last year, and ongoing; a lot of different folks. Probably about two dozen people, total, who have been in and around the discussions within the administration.

Q What about the more imminent commencement address at Sidwell Friends? Are we going to be able to cover that?

MR. MCCURRY: Be here Friday and the sound will materialize around you. Do not be at Sidwell Friends because you will not be allowed to attend.

Q What about video?

MR. MCCURRY: Sound.

Q What does that mean, though?

MR. MCCURRY: It means the President's remarks will be fed here to the filing center, to the Briefing Room. This is the best place to be on Friday.

Q And will there be a pool with him?

MR. MCCURRY: There will be a pool, but not attending the ceremony.

Q Will you even put that sound on the mult, or is it just for listening?

MR. MCCURRY: Once it's here, it's yours.

Q I'm sorry, the President will be in an open --a commencement ceremony --

Q And the pool will not be with him? Excuse us?

MR. MCCURRY: That is correct. You'll be right, adjacent by, and you can be -- but you will not be attending the ceremony. It's a closed event.

Q What's the logic -- what's the theory behind that?

Q What's the logic -- yes, come on.

MR. MCCURRY: The logic behind that is that the Sidwell Friends commencement exercises have traditionally been a closed event, private event, for the graduates and for their families. And the wishes of the First Family are that it remain so.

Q Doesn't that appear that by inviting the President of the United States Sidwell Friends may have elected to give up a certain degree of privacy because he is the President of the United States, more than a parent?

MR. MCCURRY: You should ask Sidwell Friends that.

Q Come on, when he goes out in public we cover him.

MR. MCCURRY: The President is going to these remarks as a proud father. He is the President, but he's attending as a proud father of one of the graduating seniors. And --

Q He's not just attending, he's speaking.

MR. MCCURRY: He's speaking, and you're going to --we're making his remarks available for coverage. His remarks are available for coverage.

Q -- proud parents will be able to bring video cameras --

MR. MCCURRY: My understanding is Sidwell Friends either discourages or disallows private home videos.

Q Are they going to have guards at the gate?

MR. MCCURRY: It's an invitation only event.

Q Surely, they take still pictures and stuff.

MR. MCCURRY: I think they will release some type of still photo.

Q This sounds like a job for hat-cam. (Laughter.)

MR. MCCURRY: I am merely respecting the wishes of the First Family and communicating them to you. And I'm sure that you will all, understanding their feelings, will want to cooperate both with Sidwell Friends and with their wishes. And we have gone to some considerable length to make the remarks available here in the Briefing Room for you.

Q Is it their wishes because they want to accommodate the school, or is it --

MR. MCCURRY: They want to respect the tradition of Sidwell Friends.

Q So if the school said it was okay to be open, they wouldn't have a problem with it?

MR. MCCURRY: The tradition at Sidwell Friends is that it's a private event and they would like to respect that tradition.

Q Mike, this is it, we're not going to get any more than this, the negotiations are over?

MR. MCCURRY: Well, I'm sure there will be a way -- I'll still try to provide some sense of color from the event so that you can -- those of you who have to write about it can write about it.

Q What about those of us who have to talk about it on TV? (Laughter.)

MR. MCCURRY: You all do a very good job standing in front of cameras and talking.

Q Mike, when was the last time the President of the United States made a public speech that we could not cover?

MR. MCCURRY: It's not a public speech, it's a private ceremony, Bill. And I think I've made that clear, and don't press the point any further.

Q Why not? Wait a minute. Why not?

MR. MCCURRY: Because I told you what I'm going to tell you. I mean, I've taken my position and I'm not going to change it here for you.

Q Just because we continue to press the point doesn't mean you have to change it.

MR. MCCURRY: If you want to beat me up, you can beat me up privately after the briefing is over.

Okay, anything else? All right, thank you.

Q The San Diego speech, Mike, since that's going to be a major speech and also on the West Coast --

MR. MCCURRY: It will be available for coverage.

Q That will be open? (Laughter.)

Q On timing, is that a morning speech or --

MR. MCCURRY: Look, it's a California speech on a Saturday, so one way or another, my guess is we'll find some clever way to get most of the news out before then.

Q On TV ratings, would the White House support any legislative efforts to force the networks to --

MR. MCCURRY: Well, we are supportive of the process the FCC has underway already. They've got a rule-making underway on that already -- right? Yes. They're holding hearings later this month on TV ratings. Under the 1996 telecommunications law, the law requires the FCC to convene an advisory committee after one year if the industry has not developed an acceptable rating system.

So what we're doing now is encouraging the industry to work with parents groups and work with other users and consumers of the rating system to really design and implement that acceptable system. Our preference is, obviously, that it be a uniform system so that it really be understood and used and embraced by parents and by broadcasters and by creators of programming.

They could -- at the end of that period, they could either mandate a system or made recommendations back to the industry for further -- so, in a sense, the 1996 telecommunications law already addressed the issue.

Q And the other question is, outside we were told that there was some talk about -- for health insurance for children, using some kind of tax cuts and tax credits. Is that acceptable to the administration?

MR. TOIV: That is -- those were not the methods that the President discussed today.

MR. MCCURRY: Those were not the methods the President discussed in the meeting today.

Q What were those methods?

Q What were the methods the President discussed in the meeting? (Laughter.)

MR. MCCURRY: Barry Toiv. Well, they would be consistent with what we've done in our budget submission. We've got a -- we have FY '98 budget proposal that is accommodated within the bipartisan balanced budget agreement. And we proposed some specific means of coverage there, although we held open consultation with Congress in designing the exact financing mechanism.

Q That was a proposal by the Republicans. Did the President oppose it, and will he oppose it?

MR. MCCURRY: He embraced the proposals the administration had put forward as a better way of achieving that coverage. In the President's view, it's something that would require less expense.

Anything you want to add to that?

Q Tomorrow? What's happening.

Q Don't stop thinking about it. (Laughter.)

MR. MCCURRY: Tomorrow, we are just -- we have already done the -- we're doing the bill signing on the Individual Disabilities

Education Act.

Q The what?

MR. MCCURRY: Individuals with -- it is the federal law, the reauthorization of the federal law that provides for appropriate and accessible public education settings for children with disabilities. It's been enormously important in the lives of millions of Americans in making appropriate educational opportunities available to those that in the past were shut out from those opportunities. And this is a reauthorization bill that we'll sign tomorrow.

And then the President has -- tomorrow evening has dinner at a local restaurant with the Chancellor of Germany and we'll tell you more about that tomorrow.

Q Any bilat or anything?

Q Just dinner?

MR. MCCURRY: Not that I think. In part because we will see the Chancellor very soon -- just did see him in Europe and will see him again very soon in Denver.

Q Can you compare the size of menu to the past? (Laughter.)

MR. MCCURRY: No, no, no, no -- I've said because the President is following his strict dietary regimen and the Chancellor is seeking reelection. So I think they are --

Q Why is the Chancellor here? What's the purpose of his --

MR. MCCURRY: Private visit.

Q Are they going to a vegetarian restaurant, Mike?

MR. MCCURRY: No, they're making a return to Filomena's, but they are eating from the children's menu. (Laughter.)

Q Mike, does the President know that D.C. schools have not one school that conforms to disability rules for access?

MR. MCCURRY: Well, this is not -- the purpose of the act that's being reauthorized tomorrow, first of all, is not an accessibility; it is the design and the availability in educational settings of educational opportunities for children. Disabled access is, I think, Section 503 of the Rehab Act and also the Americans with Disabilities Act. But as to the local compliances within the District system, I'd have to check with other authorities on that.

Q I'm sorry, I didn't understand you. The act that he's reauthorizing tomorrow does not require --

MR. MCCURRY: It doesn't **deal** with the physical plants in which education is provided; it mandates the provision of educational settings and appropriate instruction for children with disabilities. It's an education bill more than a physical facilities measure -- although there may be some overlap on that. We should probably check. I think the mandated physical accessibility at federally funded institutions is a Section 503 issue.

Q Do you know whether the President supports extending the Iraqi oil for aid **deal** for another year?

MR. MCCURRY: It comes up usually for a six-month rolling reauthorization. This is under the U.N. Security Council Resolution 986 oil sales, which we are supportive of. We've been supportive of the regimen that provides very strict supervision of the sales and the distribution of the proceeds of the sales so that they achieve only the humanitarian purposes that they are designed to accomplish, and we have been supportive of rolling reauthorizations of UNSCR 986.

It must be coming up again -- coming up in a couple of days. It comes up about -- I think it's usually six-month reauthorizations. It comes up every six months. And I assume we'll be supportive of it, although we continue to monitor very closely the implementation of those oil sales through the UN Sanctions Commission regime in New York.

THE PRESS: Thank you.

END 2:21 P.M. EDT

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HEADLINE: THE POLITICS; White House, Hill Wary Of Proposed Agreement

BYLINE: John F. Harris; Helen Dewar, Washington Post Staff Writers

BODY:

At the White House and on Capitol Hill, the proposed settlement over tobacco yesterday was greeted with reactions so cautious they bordered on downright cool.

The hesitancy in both places made clear that the grand accord -- so painstakingly crafted in the secretive confines of downtown luxury hotels -- is in for some sharp poking and prodding in the less delicate arenas of the capital where laws actually get made. No important voice in political Washington immediately embraced the settlement, and both President Clinton and a variety of congressional leaders said they need to know far more about its details before they will hazard a judgment.

White House aides said Clinton is casting a skeptical, if undecided, eye on several provisions, especially its implications for the Food and Drug Administration's jurisdiction to regulate nicotine. It will probably be at least a month before Clinton offers a clear thumbs up or down, senior White House aides said, and in the meantime a multiagency review is underway.

Several lawmakers said they considered the deal unveiled yesterday to be essentially a rough draft, and they will feel free to write changes into the legislation that will be required to implement the settlement.

"The Constitution does not make any provision for Congress to delegate to private groups in secret meetings the power to write law," House Speaker Newt Gingrich (R-Ga.) told reporters just before the settlement was reached. Later, in a statement, he explained "the yardstick by which I will personally measure the merit of this proposal: If it helps kids with health care, I would be inclined to support it. If it simply makes trial lawyers richer, I would be inclined to oppose it."

Clinton similarly put the emphasis on young people, some 3,000 of whom start smoking each day. "We must now carefully consider whether approving this proposed settlement will protect the public health -- and particularly our children's health -- to the greatest extent possible," Clinton said in a statement from Denver.

Even as Clinton was keeping the deal at arm's length, he boasted he deserves credit for the fact that the parties -- a coalition of state attorneys general, private trial lawyers and a consortium of cigarette makers -- were talking in the first place. His administration's decision to assert FDA power to regulate tobacco products and their advertising, he said, "drove the tobacco companies

to the bargaining table and extracted concessions from them that would have been unimaginable just a short time ago."

White House advisers said Clinton views the federal government's ability to regulate tobacco through the FDA to be a signal accomplishment of his administration. A federal court in North Carolina this year upheld the government's right to regulate tobacco, but said FDA did not have authority to implement its planned curbs on advertising.

An administration official said Clinton wants to compare what regulatory powers are contemplated under yesterday's deal versus the chances he will win all the regulatory power he wants if the North Carolina decision is appealed.

The regulatory power is comparatively more of a concern to Clinton than the issue of limiting punitive liability against tobacco companies in exchange for a $ 368 billion payment by tobacco companies, administration officials said.

Clinton, speaking with reporters yesterday, noted that $ 368 billion paid over 25 years is "an enormous amount of money," and White House press secretary Michael McCurry said "the limitation on punitive damages for past misconduct is not necessarily a deal-breaker for us."

Clinton is hearing plenty of skeptical voices. Former FDA commissioner David Kessler, who is said to distrust tobacco company motives in seeking a deal, has been regularly consulting with White House aides. Vice President Gore, officials said, also has warned about accepting a deal that is too lenient on tobacco companies.

At the moment, there is no bill to review -- nor any common understanding on Capitol Hill of who would sponsor it.

What Gore warned of privately, anti-tobacco forces on Capitol Hill said publicly.

Sen. Edward M. Kennedy (D-Mass.) said the settlement "raises far more questions than it answers" and is "clearly underfunded," especially in its "glaring omission" of substantial compensation to the government for costs incurred by Medicare, veterans and other health programs for treatment of tobacco-related illnesses. "Given the track record of deceit, manipulation and bad faith by the tobacco industry, there is every reason to be skeptical of any agreement which the tobacco industry is willing to support," Kennedy said in a statement.

There also was skepticism from those who represent tobacco farmers, who felt left out of the talks and were upset the deal did not guarantee preservation of the tobacco price-support program. The deal, Sen. Wendell H. Ford (D-Ky.) said, "falls woefully short in addressing the interests of our farmers."

Sens. Frank R. Lautenberg (D-N.J.) and Ron Wyden (D-Ore.) and Rep. Henry A. Waxman (D-Calif.), all tobacco foes, said they intended to examine the details carefully, reserving the right to propose changes after consulting with an advisory group headed by Kessler and former surgeon general C. Everett Koop.

"We welcome the proposal but we don't feel any obligation to take it intact," said Waxman, ranking Democrat on an influential health subcommittee. "If it's

a good deal for [tobacco], is it a good deal for the American public from a health standpoint?" he asked.

"What we have . . . is not a settlement," Lautenberg said. "It is nothing more than the starting point for congressional action."

Senate Judiciary Committee Chairman Orrin G. Hatch (R-Utah) agreed that senators will feel free to rewrite the agreement if they see fit. "We may have some ideas ourselves," Hatch, whose panel is likely to play a key role, said during a luncheon meeting with Washington Post editors and reporters.

The policy and political questions are only part of the challenge. Even if the deal turns out to be widely popular, with momentum fueled by strong public pressure, the sheer mechanics of pushing through such an enormous package without upsetting the delicate balance struck by the negotiators or getting derailed by contentious details will test Congress to the limits, according to many lawmakers.

The problem is compounded by the fact that members of Congress played no role in cutting the deal and, with few exceptions, remained in the dark as the negotiations proceeded, creating a climate that fosters suspicion more than consensus.

Some said they were reminded of the complexity, secrecy and lack of broad-based early congressional involvement that contributed to the death of Clinton's ambitious health care plan in 1994.

Because critical points were not settled until the final hours of negotiations between state attorneys general and cigarette makers, there has been little if any planning in either house for what to do when the agreement lands on their doorsteps. "Zero planning, zero execution," a Republican leadership aide said.

Nor is anyone sure of what the battlefield will look like. As many as a half-dozen committees in both houses, including those involving commerce, legal issues, government benefit programs, social welfare policy and agriculture, are bound to stake a claim to parts of the package.

Staff writer John E. Yang contributed to this report.

GRAPHIC: Photo, larry morris; Photo, larry morris; Photo, ray lustig; Chart, The Washington Post, Sen. Frank R. Lautenberg feels pact is "starting point" for Hill action. DISTRIBUTING $15 BILLION A YEAR Once the settlement takes full effect, tobacco firms will be paying about $15 billion in 1997 dollars each year, to be broken down roughly into these parts: $5 billion Compensates smokers for cigarette- related illness and death and pays their lawyers. Maximum payment of $1 million per smoker in any single year. $5 billion Reimburses states for smoking- related medical services under Medicaid. $2 billion Funds health insurance for children without coverage and other public health initiatives unrelated to smoking. $1.5 billion Funds state and federal anti- smoking campaigns, research into smoking addiction and FDA and state cigarette regulation, and compensates sporting events that lose cigarette sponsorship. $1.5 billion Funds programs to help smokers quit. Negotiator Mike Moore

called talks "most contentious I've ever seen." Tobacco whistle-blower Jeffrey Wigand, with beard, is applauded at news conference announcing proposed settlement.

LANGUAGE: ENGLISH

LOAD-DATE: June 22, 1997

THE PRESIDENT: I must say, we're making -- on balance, we're making some progress in Bosnia again. The events of the last several weeks are hopeful for the peace process and the Dayton Accord.

Q What about the other air crashes here in this country, this string of air accidents? What do you have to say about the air safety and what are you going to be doing about that?

THE PRESIDENT: I had a talk with the Secretary of Defense about them the day before yesterday, and I think we have to, first of all, analyze each and every one to see whether there is some pattern that would require some kind of review by the Air Force or whether it's just an unfortunate stream of coincidences that they all happened at the same time. I noted one that I learned about this morning involved Air National Guard planes, for example. That may or may not have anything to do with any problem with planes or anything like that.

I wouldn't over -- jump to conclusions about this. Remember, every year -- I try to say this once a year, so I want to say it now -- it is easy for the American people to forget the risks that our men and women in uniform undertake. Every year we lose a couple hundred people serving the United States in the military -- in peacetime. It is dangerous work. They have to be well-trained, they have to be skilled, they have to be brave. It is a difficult thing. I am heartsick about the plane we are missing off the coast of Africa that took a de-mining in there to continue our work against land mines.

But I don't want you to jump a conclusion that there is something because all these things occurred within a short space of time because, if you look over the course of a year, we may go months and months and months and nothing happens, but over the course of a year, we lose a significant number of people every year who serve our country in uniform because of the inherent risks involved in what they do.

We will do everything we can to make sure that they're as safe as possible, and if there is a pattern here that has to be looked into on air safety, you can be sure that the Air Force will do that.

Thank you.

Q Are you dreading Chelsea leaving home tomorrow?

THE PRESIDENT: Yes. This morning -- the first thing I did this morning was go look through the boxes and make sure we had all the right things in the right boxes. (Laughter.) But there's nothing I can do about it now. (Laughter.) That's what you raise them for. I'm happy and sad at the same time.

THE PRESS: Thank you.

END 11:17 A.M. EDT

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have not caused this problem. And we cannot let them, their families or their communities just be crippled and broken by this. And I don't think any member of the public health community wants to do that. And the Agricultural Department and I am personally very committed to this part -- to me, this is one of the five things we have to do.

We're trying to change America and make everybody whole. And they deserve a chance to have their lives and be made whole and go on with the future as well, and I'm determined to see that they're a part of this.

Q What do you say to the attorneys who thought this was a good deal and very proudly proclaimed it?

THE PRESIDENT: Well, first of all, they were a part of all these ongoing reviews. Everybody was heard in this review process. And, secondly, they all recognize, too, that this agreement has to be ratified by Congress. The **tobacco** companies recognize that. That means that all of us who are part of that process are, in effect, parties to this case, too. And that's the way you need to look at this. We're building on their deal. We're not rejecting their agreement, we're building on it. We're not rejecting what the Attorneys General did, we're building on it. Look, if it hadn't been for what they did, we wouldn't be here.

I realize that there were two great things that started this. One is what Dr. Kessler and what we did at the FDA, and the fact that our administration was the first one ever willing to take this on. The other was the actions by the Attorneys General and the private lawsuits that got the disclosure of the documents that created a total change in the public attitude and the public efforts here.

And then long before that, there were the efforts of all of these people here from the public health community who have been telling us all this for years. And they had the public primed for it. Then, the lawsuits brought about the disclosures and then the FDA was moving. Those three things together, I think -- and, of course, now there have been a lot of congressional hearings. Representative Waxman had a full head of hair when he came to Congress before he started -- (laughter.) And so I think you've got to give -- to me, we're building on this progress, and that's the way you have to look at this. We are trying to do the best thing for the country in a way that is consistent with the agreement they made. We're building on the agreement. Were not tearing it down, we're building on it. And I think we can get legislation that will reflect it.

Thank you.

Q What do you think about the string of air crashes, Mr. President, that have happened -- Bosnia, the German representative that was killed?

THE PRESIDENT: It's a terrible thing. We don't have all the facts yet. I was briefed early this morning on it, and, obviously, I'm profoundly concerned for the diplomat and the people that were on the aircraft and their families. But I can't comment on the facts of it until we absolutely know what the facts are.

Q What about the other crashes?

by 50 percent within seven years. Earlier this year, a federal judge in North Carolina said that the FDA has the authority to regulate **tobacco** products to protect the health of our children. There have also been other examples of litigation progress, as you know, brought by private plaintiffs and by the Attorneys General. Now, these victories for public health drove the **tobacco** companies to the bargaining table. They extracted concessions that would have been literally unthinkable just a short time ago.

I want to say a special word of thanks to the Attorneys General and the other parties who worked hard to negotiate this settlement. Everyone knows we would not be here had it not been for their foresight, their determination, and their relentless efforts.

Now we have this unprecedented opportunity to enact comprehensive **tobacco** legislation, working with all the parties involved -- the members of Congress, the attorneys general, the representatives of injured parties, the public health community, the **tobacco** farmers and others. We have moved from confrontation and denial and inertia to the brink of action on behalf of our children, and that is all to the good.

Today I want to challenge Congress to build on this historic opportunity by passing sweeping **tobacco** legislation that has one goal in mind: the dramatic reduction of teen smoking. In the coming weeks I will invite congressional leaders from both parties to the White House to launch a bipartisan effort to enact such legislation.

There are five key elements that must be at the heart of any national **tobacco** legislation. Reducing teen smoking has always been America's bottom line. It must be the industry's bottom line. That is why I believe the first thing any **tobacco** legislation must include is a comprehensive plan to reduce teen smoking, including tough penalties. These penalties should be non-tax-deductible, uncapped, and escalating to give the **tobacco** industry the strongest possible incentive to stop targeting children as new customers.

One of the surest ways of reducing youth smoking is to increase the price of cigarettes. Today I call for a combination of industry payments and penalties to increase the price of cigarettes. Today I call for a combination of industry payments and penalties to increase the price of cigarettes by up to a dollar and a half a pack over the next decade, as needed, to meet our youth reduction targets. And I call upon the House to follow the lead of the United States Senate and repeal the provision giving the **tobacco** industry a $50 billion tax credit.

Second, any legislation must affirm the full authority of the FDA to regulate **tobacco** products. I believe the FDA's jurisdiction over **tobacco** products must be as strong and effective as its authority over drugs and devices. In particular, legislation cannot impose any special procedural hurdles on the FDA's regulation of **tobacco** products.

Third, effective legislation must include measures to hold the industry accountable, especially in any efforts to market products to children, while insisting on changes in the way it does business. I ask the industry again to make a voluntary commitment to stop advertising to children. And I call upon Congress to pass legislation providing for broad document disclosure so that the public can learn everything the **tobacco** companies know about the health effects of their products and their attempts to market to our children.

Fourth, federal **tobacco** legislation must aim not only to reduce youth smoking, but to meet other health goals as well. These include the reduction of secondhand smoke, the expansion of smoking prevention and cessation programs, the strengthening of international efforts to control **tobacco**, and the provision of funds for medical research and other important health objectives. We must build on the bipartisan agreement to fund children's health care in the recent balanced budget.

And finally, any **tobacco** legislation must protect **tobacco** farmers and their communities. We know that **tobacco** farmers are honest, hard-working people, most of whom live and work on small, family-owned farms. In some states, entire communities rely on income from the **tobacco** crop. Any legislation must protect these farmers, their families and their communities from loss of income.

Let me say in closing, I want to thank the Vice President, especially, who cares so passionately about this issue. He's played a key role in our efforts to protect our children from the dangers of **tobacco**. I've asked him to take the lead in building broad bipartisan support around the country for our plan. I also want to thank Secretary Shalala, Secretary Glickman and Bruce Reed, and all those who work so hard on our administration's analysis of the proposed settlement and where we are.

And finally, let me say again, we wouldn't be here if it weren't for all the people in this room and the countless others they represent around the country. To me, this is not about money. It is not about how much money we can extract from the **tobacco** industry. It is about fulfilling our duties as parents and responsible adults to protect our children and to build the future of this country. We are doing everything we can in this administration to give parents the tools they need to raise their children, but parents have to be our partners as well. If this is not just about money, we have to recognize that even beyond the **tobacco** company and all of us in this room, every parent in America has a responsibility to talk to their children about the dangers of **tobacco**, illegal drugs, and other things that can hurt them. We know if we have strong parental responsibility here, they can make a great deal of difference in protecting our children as well.

If we take responsibility, if we pass this legislation, if we do what we should here, if the **tobacco** industry will work with us, if other members of Congress in both parties will work with us, we will have gone a very long way toward creating the state of health for our children that will make America an even greater nation in the new century.

Thank you.

Q Mr. President, what are the chances of the Congress adopting your policy? And why is the industry so conspicuously absent?

THE PRESIDENT: Well, first of all, I was encouraged by some of the comments that were made by some industry representatives. I think that they know that they have to have federal legislation. They have an interest in that as well. And I would hope that they

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BYLINE: John F. Harris; Helen Dewar, Washington Post Staff Writers

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White House aides said Clinton is casting a skeptical, if undecided, eye on several provisions, especially its implications for the Food and Drug Administration's jurisdiction to regulate nicotine. It will probably be at least a month before Clinton offers a clear thumbs up or down, senior White House aides said, and in the meantime a multiagency review is underway.

Several lawmakers said they considered the deal unveiled yesterday to be essentially a rough draft, and they will feel free to write changes into the legislation that will be required to implement the settlement.

"The Constitution does not make any provision for Congress to delegate to private groups in secret meetings the power to write law," House Speaker Newt Gingrich (R-Ga.) told reporters just before the settlement was reached. Later, in a statement, he explained "the yardstick by which I will personally measure the merit of this proposal: If it helps kids with health care, I would be inclined to support it. If it simply makes trial lawyers richer, I would be inclined to oppose it."

Clinton similarly put the emphasis on young people, some 3,000 of whom start smoking each day. "We must now carefully consider whether approving this proposed settlement will protect the public health -- and particularly our children's health -- to the greatest extent possible," Clinton said in a statement from Denver.

Even as Clinton was keeping the deal at arm's length, he boasted he deserves credit for the fact that the parties -- a coalition of state attorneys general, private trial lawyers and a consortium of cigarette makers -- were talking in the first place. His administration's decision to assert FDA power to regulate tobacco products and their advertising, he said, "drove the tobacco companies

to the bargaining table and extracted concessions from them that would have been unimaginable just a short time ago."

White House advisers said Clinton views the federal government's ability to regulate tobacco through the FDA to be a signal accomplishment of his administration. A federal court in North Carolina this year upheld the government's right to regulate tobacco, but said FDA did not have authority to implement its planned curbs on advertising.

An administration official said Clinton wants to compare what regulatory powers are contemplated under yesterday's deal versus the chances he will win all the regulatory power he wants if the North Carolina decision is appealed.

The regulatory power is comparatively more of a concern to Clinton than the issue of limiting punitive liability against tobacco companies in exchange for a $ 368 billion payment by tobacco companies, administration officials said.

Clinton, speaking with reporters yesterday, noted that $ 368 billion paid over 25 years is "an enormous amount of money," and White House press secretary Michael McCurry said "the limitation on punitive damages for past misconduct is not necessarily a deal-breaker for us."

Clinton is hearing plenty of skeptical voices. Former FDA commissioner David Kessler, who is said to distrust tobacco company motives in seeking a deal, has been regularly consulting with White House aides. Vice President Gore, officials said, also has warned about accepting a deal that is too lenient on tobacco companies.

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What Gore warned of privately, anti-tobacco forces on Capitol Hill said publicly.

Sen. Edward M. Kennedy (D-Mass.) said the settlement "raises far more questions than it answers" and is "clearly underfunded," especially in its "glaring omission" of substantial compensation to the government for costs incurred by Medicare, veterans and other health programs for treatment of tobacco-related illnesses. "Given the track record of deceit, manipulation and bad faith by the tobacco industry, there is every reason to be skeptical of any agreement which the tobacco industry is willing to support," Kennedy said in a statement.

There also was skepticism from those who represent tobacco farmers, who felt left out of the talks and were upset the deal did not guarantee preservation of the tobacco price-support program. The deal, Sen. Wendell H. Ford (D-Ky.) said, "falls woefully short in addressing the interests of our farmers."

Sens. Frank R. Lautenberg (D-N.J.) and Ron Wyden (D-Ore.) and Rep. Henry A. Waxman (D-Calif.), all tobacco foes, said they intended to examine the details carefully, reserving the right to propose changes after consulting with an advisory group headed by Kessler and former surgeon general C. Everett Koop.

"We welcome the proposal but we don't feel any obligation to take it intact," said Waxman, ranking Democrat on an influential health subcommittee. "If it's

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"What we have . . . is not a settlement," Lautenberg said. "It is nothing more than the starting point for congressional action."

Senate Judiciary Committee Chairman Orrin G. Hatch (R-Utah) agreed that senators will feel free to rewrite the agreement if they see fit. "We may have some ideas ourselves," Hatch, whose panel is likely to play a key role, said during a luncheon meeting with Washington Post editors and reporters.

The policy and political questions are only part of the challenge. Even if the deal turns out to be widely popular, with momentum fueled by strong public pressure, the sheer mechanics of pushing through such an enormous package without upsetting the delicate balance struck by the negotiators or getting derailed by contentious details will test Congress to the limits, according to many lawmakers.

The problem is compounded by the fact that members of Congress played no role in cutting the deal and, with few exceptions, remained in the dark as the negotiations proceeded, creating a climate that fosters suspicion more than consensus.

Some said they were reminded of the complexity, secrecy and lack of broad-based early congressional involvement that contributed to the death of Clinton's ambitious health care plan in 1994.

Because critical points were not settled until the final hours of negotiations between state attorneys general and cigarette makers, there has been little if any planning in either house for what to do when the agreement lands on their doorsteps. "Zero planning, zero execution," a Republican leadership aide said.

Nor is anyone sure of what the battlefield will look like. As many as a half-dozen committees in both houses, including those involving commerce, legal issues, government benefit programs, social welfare policy and agriculture, are bound to stake a claim to parts of the package.

Staff writer John E. Yang contributed to this report.

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efforts on the part of the industry to stop that kind of marketing to kids.

Q If you can't get voluntary agreement from the industry to go along with this, what happens at that point? Would you go in -

MR. REED: Well, we haven't lost our court case yet. We lost in the first round, but that's going to be -- it's under appeal.

Q Bruce, will the President ask Congress to stay in session beyond October to enact this plan, as Mike Moore suggested out front?

MR. REED: I think the President already got this question earlier today, and he said that a lot of work can get done. We'd like to see Congress get started right away. Hearings are already underway. We'll be up there working with them to get legislation written. But that kind of decision is ultimately up to the congressional leaders.

SECRETARY SHALALA: And I think it's important to note, too, that some members of Congress have indicated that there will be hearings after they recess, so there is -- we have every expectation that we'll continue to work on the issue with members of Congress, perhaps initially directly with their staffs, so that we don't expect to lose any time while Congress is officially in recess.

Q But you will not formally ask the leadership to keep Congress in session?

SECRETARY SHALALA: No.

Q Some people compare this to the original Clinton health care plan, and then when you try to do everything at once it's very hard, and then you end up doing things step by step instead. Do you think that's what's going to happen now -- instead of a global settlement that takes care of all the issues, that you tackle one issue at a time and do it that way?

MR. REED: I think with the priorities that the President laid out this morning, we have demonstrated that we've learned one lesson from our experience with health care, which is that it's more important to lay out clear priorities, work with Congress in a bipartisan way to get things done. We made a conscious decision together some time ago not to present a detailed piece of legislation.

Q What's the answer to the question -- that you are going to incrementally do it?

MR. REED: No, no, the President called for a comprehensive national **tobacco** legislation. I think that's the way Congress is likely to approach it.

SECRETARY SHALALA: Reducing youth smoking is not possible unless all the pieces are together -- the advertising campaign, the public -- the counter-advertising campaign, the public education campaign, raising the prices of cigarettes, strong whether you would impose, or you'd have to have -- is it still a deal that they agree to, or is it possible that you would impose something on them?

MR. REED: Well, we're not going to be negotiating with them, we're going to be negotiating with the Congress.

Q But aren't some of the actions in the settlement things that they brought to the table and that are essentially voluntary actions by them?

MR. REED: Yes, I think -- we talked about the advertising.

Q Are there others besides that?

MR. REED: I think the protocol dealt primarily with that.

SECRETARY SHALALA: That was the only thing that was outside the legislation.

Q The President listed as one of the things he wants the full control of your agency to regulate nicotine. Now the Federal Appeals Court could well overturn the decision on that. Doesn't that remove some leverage that you have over the **tobacco** industry, and what role does that pending judgment have?

SECRETARY SHALALA: Well, that's just one judgment. We won in the lower court. We will appeal if we have to, if we get a negative decision. We believe that we have that authority. We've asserted that authority and we will appeal it in the courts.

Meanwhile, we will do what the President said when he announced those FDA regulations, and that is that he would like them to be part of the legislation. So affirming FDA's role in regulating **tobacco** as it does other drugs and medical devices we expect to be part of the legislation. It is a core principle in what the President laid out today.

Q The numbers that are used for the way that increases in price can actually reduce smoking are quite specific. My question is, is this a science or is this an art? How solid are these numbers, ow predictable are they?

SECRETARY SHALALA: It actually is research that is quite well-known. The CDC has been doing that kind of analysis for a number of years. I think that the number of a 10 percent increase will produce a 7 percent decrease in youth smoking is probably the article by a professor at the University of Illinois, who is a very distinguished analyst in that area. We'd be happy to provide anyone that wants a copy of that research a copy of that.

MR. REED: But in addition to that, I think researchers have focused on the potential impact of price and the 10 percent increase-7 percent decrease is the best rule of thumb. But we never had a price shock of the kind of magnitude envisioned here. We don't know how much of an impact the counter-advertising and public education measures will have. And that's one of the reasons why we're determined to have strong financial incentives for the industry to do everything in its power to reduce youth smoking, because our view is the **tobacco** industry knows more about hooking teenagers than anyone else and they probably know more about how to stop it.

Q Secretary Shalala, have you been in touch with Senator Lautenberg? He's introducing legislation today related to the **tobacco** settlement. And what impact does that have on what you're trying to do -

SECRETARY SHALALA: Bruce Reed and I saw Senator Lautenberg yesterday as part of our briefing of the congressional groups that have been drawn together to discuss **tobacco**. He did indicate that he was going to introduce legislation. And again, we said to members of Congress that we would look at the pieces of legislation that were introduced by individual members and that we would be working with committees, as well as with individuals, on their legislation.

Q As a follow-up, did he indicate where he was going, which is essentially what he laid out today about not relying so heavily on industry and so forth? What's your thinking on what he -

SECRETARY SHALALA: I didn't have a detailed discussion with him yesterday. I don't know whether Bruce did. But we will be -- again, we haven't reviewed that piece of legislation that's been introduced. We'll be reviewing all of the legislation because we'll be asked for our positions on it, and, again, using the expertise of the CDC and the FDA as well as Treasury and OMB to help guide legislation on the Hill so that it's consistent with what the President recommended.

Q How do you handle the tax deductibility of any industry fund that's established?

MR. REED: What the President said this morning is that the stiff industry penalties for failing to meet the youth smoking targets will not be tax deductible.

Q The President is going to keep it separate from the funds -

MR. REED: The Treasury Department has said that the kinds of annual payments envisioned in the original settlement are standard business practice, that they would be deductible.

Q -- the price shock is $1.50 really over 10 years, it's unclear to me how soon any of this will kick in and will it be really a bigger shock than 62 cents a pack?

SECRETARY SHALALA: That's the point of giving the Congress the flexibility to mix a price increase with very strong penalties. What we're trying to do is to use economic incentives to change the behavior of the industry to make certain that they're making extraordinary efforts to reduce youth smoking, and to young people themselves because price seems to be the one thing that we --that everybody believes will have an effect on young people's behavior and it will, in fact, have an impact on reducing the number of young people that smoke.

There also is experience in other countries on using large prices. But finding the right mix will be part of our discussion with the Congress. We absolutely did not in the President's recommendation commit to $1.50 at the end of 10 years. That wasn't what this proposal was about.

Q What would they be penalized for? Just selling to young -

SECRETARY SHALALA: If smoking by young people does not come down, it will be expensive for the companies. That is the proposal, that there will be heavy financial penalties. It will be very expensive if they're not working very hard to bring down youth smoking.

Q Do you mean -- are you going to be able to prove it?

SECRETARY SHALALA: Oh, yes. Oh, yes. You know, we have year-by-year data now for different age groups. We will have much more sophisticated data not only by age, but by company -- that is, by brand name -- so that we know who's having a successful effort reducing youth smoking.

Q Secretary Shalala, can you clarify what you just said? I thought the President did commit to $1.50 increase if the targets aren't met?

SECRETARY SHALALA: It's not quite like that.

MR. REED: Well, I think he said that he wanted to see a combination of industry payments and industry penalties -

Q What's the difference?

MR. REED: Industry payments, annual payments, regardless of whether youth smoking is going up or down. Penalties are based on the youth smoking targets on the order of reducing youth smoking from current levels by 30 percent over 5 years, 50 percent over 7 years, 60 percent over 10 years. And the more the industry misses the target, the more money it would pay. And he, the President called for a combination of those that could increase current prices by as much as $1.50 over the next 10 years.

Q But if they miss the target, it goes up to $1.50, right? I mean, $1.50 is what he wants assuming targets aren't met.

SECRETARY SHALALA: In combination.

MR. REED: In a graduated way, depending on how much they missed the targets by.

Q Secretary Shalala, why put all the onus on the cigarette makers? Why not put a large portion of the onus on these convenience stores that sell to these teens?

SECRETARY SHALALA: Well, in fact, the President's proposal distributes responsibility. The cigarette companies -- there's tremendous pressure on them. After all, they are the people that have the relationships with the stores. They are, in fact -- it is the **tobacco** companies that provide the stores with the cigarettes to sell and that's where the relationship is. We want to make certain that the **tobacco** companies are doing everything they possibly can do to bring down youth smoking. And that means that they have to have -- they have to be part of this strategy. They can't simply write us a check and expect the public health people in the country to carry it on. They have to be very much part of it and there ought to be penalties in place if youth **tobacco** smoking doesn't come down.

Q Clarify something -- I'm confused. When you talk about potentially the price increasing by $1.50 over 10 years if penalties are not met, you're not talking about mandating a price increase, you're talking about penalties that would end up in their passing along -

MR. REED: Correct.

Q Secretary Shalala, give us your political assessment of the odds that Congress will pass a comprehensive settlement, if not this year, next year.

SECRETARY SHALALA: I think it's too early to tell. I think with presidential leadership -- and as he pointed out, this builds on what has already taken place in terms of the FDA, the settlement discussions that were held by the AGs. The President would not have stepped out on this to continue his very strong position on **tobacco** if he didn't believe that we could actually achieve it. I think we believe that there is a pretty good chance that next year we will get a comprehensive settlement. It may not be as big as everybody wants, but we really believe, with presidential leadership, that that's exactly where we're going.

Q Would you be willing to accept parts without, say, some of these things?

MR. REED: We want to see a comprehensive bill.

Q You've mentioned several times that money is a motivating factor on cutting down on smoking. Do you have any price tag for what you envision this will cost the **tobacco** industry, because the attorneys general will able to say $368 billion firm?

MR. REED: Well, as the President said this morning, from our standpoint, it's not about raising money from the **tobacco** companies, it's about reducing youth smoking. As a matter of comparison, the Treasury analysis of the current settlement was about 62 cents a pack price increase, with penalties of 8 to 10 cents. So it could potentially double the size. But, again, it would depend on where and -

SECRETARY SHALALA: What the mix was.

MR. REED: -- what the mix of payment and penalties was.

Q Sixty-two cents would actually be two and a half times if you went up to $1.50.

MR. REED: Well, you've got to count the penalties in the original settlement, too, which gets you around 72 cents.

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The Boston Globe

June 5, 1997, Thursday, City Edition

SECTION: NATIONAL/FOREIGN; Pg. A12

LENGTH: 545 words

HEADLINE: Image-making occupies tobacco talks

BYLINE: By Anthony Flint, Globe Staff

BODY:

On the eve of a last go-around for negotiatiors smoothing out lingering sticking points in a proposed tobacco agreement, public posturing is intensifying over such issues as a ban on punitive damages.

But sources familiar with the negotiations say such items are mostly an easy target for those trying to look tough at the bargaining table. The industry could be happy as long as it gets a $ 4 billion-a-year cap on damage awards, whether punitive or not, these sources say.

"What they need is financial predictability on their legal costs," said one person familiar with the talks. Punitive damages, which are not deductible, are a "serious issue for them, and we disagree about it, but it's not a deal-breaker."

Yet the maneuvering on the issue of damages has emerged as a classic example of the public relations war being conducted on the accord. As health advocates step up their criticism of the deal, negotiators have scrambled to avoid the impression that they are giving away too much to the tobacco firms.

The cigarette companies, meanwhile, are signaling that they could not possibly accept further concessions, though sources say there is still room for compromise.

"Part of the problem is, the sides have been drawn up before the document has been drawn up," said Gregory Connolly of the Massachusetts Tobacco Control Program.

The talks are scheduled to resume late next week. The key remaining issues are future liability and the extent of government regulation of nicotine. Both sides have agreed in principle to a settlement payment of up to $ 375 billion plus drastic restrictions on advertising, marketing and retail sales.

Participants in the talks, which include tobacco representatives, private lawyers and attorneys general suing the industry, say a "term sheet" that lays out the basic framework of the agreement is being drafted. Ultimately, the deal will be sent to Congress for approval.

The jockeying for the higher political ground continued yesterday. Mississippi Attorney General Michael Moore and lawyer Richard Scruggs spent the day in Washington, updating the White House and attempting to ease concerns.

The Senate majority leader, Trent Lott, said signaled negotiators that if they want Congress to ratify a deal with the tobacco companies, they're running out of time.

"A magic moment comes, and if you don't get it, it's gone," Lott said yesterday. "I think they're on the edge of losing it just because they've let it drag on too long."

The former surgeon general, C. Everett Koop, and former Food and Drug Administration chief, David Kessler, meanwhile, prepared to convene the first meeting of a congressional advisory panel today. That committee, which includes representatives of health groups, is expected to be a countervailing force on any pact drawn up.

Proponents of the deal were reeling from comments by Donna Shalala, the secretary of Health and Human Services, who indicated this week that the administration would give any accord tough scrutiny.

The clock is ticking on the negotiations. Moore's case, the first state case, is to go to trial July 7. Jury selection is already under way in another major case, a class-action suit in Florida by flight attendants over second-hand smoke.

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STATEMENTS BY THE PRESIDENT AND ADMINISTRATION INDICATING LEGISLATIVE PROTECTION FROM LIABILITY IS NOT A TOBACCO DEAL-BREAKER

1. **Press Briefing by Press Secretary Mike McCurry, June 20, 1997**

   Mike McCurry: **Well, the limitation on punitive damages for past misconduct is not necessarily a deal-breaker for us**. We understand that the attorneys general extracted substantial concessions from the tobacco companies for this limitaton and we'll evaluate whether the agreement as a whole advances the nation's public health interests. But on that specific limit, that's not necessarily a deal-breaker.

2. **President's Remarks on Settlement Review, September 17, 1997**

   Q. ...Are you willing to agree to immunity from future liability?

   The President: Well, I don't think they've asked for future liability. **I think they've asked for immunity from liability for past suits. And the question there would be, what are they willing to agree to.** They need to come and meet with us. We need to discuss it, and we need to see whether we can embody these five principles. These are the things I'm interested in. To me, I'll say again, this is not primarily about money....

3. **Press Briefing by Secretary Shalala and Bruce Reed, September 17, 1997**

   Q. I don't think the President said anything this morning about liability protections for the industry, and so, where do you stand on that? And if you don't intend to support that, do you think you could get a comprehensive bill through Congress without --....

   Reed: Yes. **I think what he said was that we were willing to look at caps on liability, but we want to make sure that Congress enacts legislation that fulfills the five principles that we laid out in the plan this morning**.

   Q. Concerning the liability protections, the deal provided for banning future class actions and state attorney general suits, caps on annual liability, punitive damage, eliminating that. Which of those, or all of those are you willing to go along with if all the guidelines that the President set down this morning are met?

   Reed: **Well, I think, as I said earlier, we would condition accepting any limits on liability on getting the rest of what we're after**. We had some concerns about certain aspects of the liability scheme in the settlement. For example, it put a cap on future punitive damages, damages for future misconduct -- which we think is a mistake. But we'd have to look at the whole package.

4. ***The New York Times*, "Aide to Clinton Sees Flexibility on Tobacco", page A16,**

September 22, 1997
"Mr. Reed said on Fox News today that the Administration would not try to change the liability protections in the national tobacco settlement reached on June 20 as long as there were real moves to reduce the number of underage smokers.

'**We've always said that some form of caps on liability is not a deal-killer for us, but we would condition that on getting the kind of comprehensive plan to reduce smoking that we're asking for**,' Mr. Reed said."

5. **Testimony by Secretary Shalala before Senator Jeffords (R-VT), September 25, 1997** (from FDCH political transcripts)

Jeffords: One of the areas that the June tobacco settlement that was not discussed in the President's announcement was the civil liability provisions. Should we view the President's silence on this issue [sic] endorsing these provisions?

Shalala: **Actually, Mr. Chairman, when the President was asked that question he said that if the core principles that he has laid out are taken care [of] as part of the legislation, then he would be willing to discuss the civil liability issue** but not until he sees legislation that really is comprehensive, that deals with the farmers, that deals with the FDA jurisdiction. We want to make sure that the core of the legislation is focused on reducing smoking by young people.

6. **National Journal's CongressDaily, January 16, 1998**

Mike McCurry: **"The caps on liability, as we have said in the past, are not necessarily a deal breaker."**

7. ***Los Angeles Times*, "Proposed Tobacco Settlement Isn't Setting Congress on Fire," p.A5, January 29, 1998**

Elena Kagan: **"Limits on liability are not necessarily a deal-breaker for us."**

8. **U.S. Newswire, Press Briefing by Mike McCurry, January 30, 1998**

Mike McCurry: "Now, the issue is one of caps on liability. We have never said that caps on liability were absolutely central to any legislation; in fact, as you recall, the President did not even address that in the principles that he outlined last August about the legislation that would be required to implement the settlement. **We've said it's not a deal-breaker by any means, but it certainly is not one of the fundamental elements that the President believes has to be in there."**