

Exchange Mail

DATE-TIME 7/28/99 1:25:23 PM

FROM Kelly, Sandra L. (DEFENSE)

CLASSIFICATION UNCLASSIFIED

SUBJECT Telephone Call to Mary McGrory [UNCLASSIFIED]

TO Crowley, Philip J. (PRESS)

CARBON_COPY Wozniak, Natalie S. (PRESS)

TEXT_BODY NOTE FROM BOB BELL:

Talked to Mary McGrory for about 20 minutes;
made all of our points. However, it's clear that her Op-Ed will
be very critical not only of Senator Helms, but of us as well.

Exchange Mail

DATE-TIME 7/29/99 2:50:11 PM

FROM Keith, James R. (ASIA)

CLASSIFICATION UNCLASSIFIED

SUBJECT Response to Helms, Lott, and others on Taiwan Arms Sales
[UNCLASSIFIED]

TO Lackey, Miles M. (LEGIS)
Shapiro, Daniel B. (LEGIS)
Tavlarides, Mark J. (LEGIS)
Rudman, Mara E. (CNSLR)
Bouchard, Joseph F. (DEFENSE)
Lieberthal, Kenneth G. (ASIA)

CARBON_COPY Gray, Wendy E. (SPCHW/CNSLR)
Rudman, Mara E. (CNSLR)
Burrell, Christina L. (LEGIS)
Lackey, Miles M. (LEGIS)
Shapiro, Daniel B. (LEGIS)
Tavlarides, Mark J. (LEGIS)
Andreasen, Steven P. (DEFENSE)
Bell, Robert G. (DEFENSE)
Bouchard, Joseph F. (DEFENSE)
Brackman, Stella S. (DEFENSE)
Kelly, Sandra L. (DEFENSE)
McCausland, Jeffrey D. (DEFENSE)
Mitchell, Rebecca (Julie) J. (NSA)
Mulligan, George D. (DEFENSE)
Peterman, David (Brian) (DEFENSE)
Pimentel, Betsy J. (DEFENSE)
vonLipsey, Roderick K. (DEFENSE)
Wasserman, Elaine P. (EXSEC)
Witkowsky, Anne A.

TEXT_BODY Assuming there is a third notification (just arose, suddenly) would propose to fold it into the other two. Am told the third case is valued at \$3 million, i.e. very small. Concur?

TRANSLATED_ATTACHMENT 0000 potus~helms.doc

Dear Senator Helms:

Thank you for your recent letter concerning recent developments in the cross-Strait relationship between Taipei and Beijing and U.S. policy toward China. I am sure you are aware an informal notification of two Taiwan arms sales cases was sent to Congress this week; I am grateful to you and your colleagues for working with us to receive these notifications before the August recess. You can rest assured that the Administration is not delaying or suspending any arms sales notifications to Congress.

I appreciate the strength of your convictions regarding the proper course of U.S.-China relations. We will continue to promote broad U.S. interests in the region while helping our friends in Taiwan to prosper.

Thank you again for your giving me the benefit of your views.
Sincerely,

[Name/Title in Initial Caps]
[Title/Senate/House in Initial Caps]
[Organization/Position - Initial Caps]
[Address - Initial Caps]

TRANSLATED_ATTACHMENT 0000 to srb.doc

July 29, 1999

ACTION

MEMORANDUM FOR SAMUEL BERGER

THROUGH: KENNETH LIEBERTHAL

FROM: JAMES KEITH

SUBJECT: Response to Senators Helms, Lott, and Other Members on
Taiwan Arms Sales
Notifications

Attached at Tab I is a memorandum to the President covering a
response to Senator
Helms, Lott, and other Members.

We have just been informed this afternoon of a third notification for
the sale of
parts for Chinook helicopters to Taiwan. The Defense Security
Assistance Agency
(DSAA) informed State this afternoon that this additional case was
ready for
"pre-consultation" with the Congress. DSAA staff informed State at
the same time
that the Hill staff were already aware of the case and had levied a
demand that
this case also be notified to Congress asap.

Concurrence by: Miles Lackey, Joe Bouchard, Mara Rudman

RECOMMENDATION

That you sign the memorandum at Tab I.

Attachments

Tab I Memorandum to the President

Tab A Response to Senator Helms et al

1

ACTION

MEMORANDUM FOR THE PRESIDENT

FROM: SAMUEL BERGER

SUBJECT: Response to Senators Helms, Lott, and Other Members on Taiwan Arms Sales

Purpose

Respond to Senator Helms' letter complaining about pressure on Taiwan in the wake of President Lee Teng-hui's July 9 statement.

Background

Senators Helms, Lott, and 24 other Members wrote to complain about alleged postponement of arms sales notifications to Taiwan and to press the Administration not to take punitive measures against Taiwan. The letter also expresses dismay that we appear to be engaged in a "verbal tilt" toward Beijing's view of "one China" in the imbroglio that has developed since Lee Teng-hui disrupted the status quo on July 9.

Lee's statement surfaced just as we were in the process of notifying Congress about two upcoming arms sales to Taiwan. We provided informal notification to Congress on those cases this week, before receipt of Helms' letter. A third case has arisen July 29. In cooperation with Congress we have arranged to provide formal notification of all three cases Friday, July 30.

Your response informs the Senators that contrary to the concerns expressed in their letter we are not delaying or suspending arms sales to Taiwan. It affirms that the current framework for U.S.-Beijing-Taipei relations is working to protect and promote not only U.S. but also Taiwan interests.

RECOMMENDATION

That you sign the letter at Tab A.

Attachment

Tab A Response to Senators Helms, Lott, and others

2

cc: Vice President
Chief of Staff

Exchange Mail

DATE-TIME 7/29/99 4:19:45 PM
FROM Keith, James R. (ASIA)
CLASSIFICATION UNCLASSIFIED
SUBJECT New package [UNCLASSIFIED]
TO Williams, Mary C. (ADMIN)

CARBON_COPY
TEXT_BODY MW: could you please get a log number and put this set in final
for me? I'll give you the copy of the incoming I have--not yet assigned

by records. jk

TRANSLATED_ATTACHMENT 0000 potus~helms.doc

Dear Mr. Chairman:

Thank you for your recent letter concerning recent developments in the cross-Strait relationship between Taipei and Beijing and U.S. policy toward China. I am sure you are aware notifications of Taiwan arms sales cases were sent to Congress last week. I am grateful to you and your colleagues for working with us to receive these notifications before the August recess. You can rest assured that the Administration is not delaying or suspending any arms sales notifications to Congress.

I appreciate the strength of your convictions regarding the proper course of

U.S.-China relations. We will continue to promote broad U.S. interests in the region while helping our friends in Taiwan to prosper.

Thank you again for your giving me the benefit of your views.
Sincerely,

[Name/Title in Initial Caps]
[Title/Senate/House in Initial Caps]
[Organization/Position - Initial Caps]
[Address - Initial Caps]

TRANSLATED_ATTACHMENT 0000 srb~potus.doc

ACTION

MEMORANDUM FOR THE PRESIDENT

FROM: SAMUEL BERGER
LARRY STEIN

SUBJECT: Response to Senators Helms, Lott, and Other Members on Taiwan Arms Sales

Purpose

Respond to Senator Helms' letter complaining about pressure on Taiwan in the wake of President Lee Teng-hui's July 9 statement.

Background

Senators Helms, Lott, and 24 other Members wrote to complain about alleged postponement of arms sales notifications to Taiwan and to press the Administration not to take punitive measures against Taiwan. The letter also expresses dismay that we appear to be engaged in a "verbal tilt" toward Beijing's view of "one China" in the imbroglio that has developed since Lee Teng-hui

disrupted the status quo on July 9.

Lee's statement surfaced just as we were in the process of notifying Congress about two upcoming arms sales to Taiwan. We provided informal notification to Congress on those cases this week, before receipt of Helms' letter. A third case has arisen July 29. In cooperation with Congress we have arranged to provide formal notification of all three cases Friday, July 30.

Your response informs the Senators that contrary to the concerns expressed in their letter we are not delaying or suspending arms sales to Taiwan. It affirms that the current framework for U.S.-Beijing-Taipei relations is working to protect and promote not only U.S. but also Taiwan interests.

RECOMMENDATION

That you sign the letter at Tab A.

Attachment

Tab A Response to Senators Helms, Lott, and others

2

cc: Vice President
Chief of Staff

TRANSLATED_ATTACHMENT 0000 to srb.doc

July 29, 1999

ACTION

MEMORANDUM FOR SAMUEL BERGER

THROUGH: KENNETH LIEBERTHAL

FROM: JAMES KEITH

SUBJECT: Response to Senators Helms, Lott, and Other Members on
Taiwan Arms Sales
Notifications

Attached at Tab I is a memorandum to the President covering a
response to Senator
Helms, Lott, and other Members.

We have just been informed this afternoon of a third notification for
sale of a
radar detector for CH-47 helicopters to Taiwan. This is an amendment
to a
previous case worth a total of \$3 million. The case is already in the
"pre-consultation" phase with Congress, therefore it would be best to
wrap it in
with the other two cases (which are far larger in dollar terms in any
event).

Concurrence by: Miles Lackey, Joe Bouchard, Mara Rudman

RECOMMENDATION

That you sign the memorandum at Tab I.

Attachments

Tab I Memorandum to the President

Tab A Response to Senator Helms et al

Exchange Mail

DATE-TIME 7/30/99 11:49:53 AM
FROM Keith, James R. (ASIA)
CLASSIFICATION UNCLASSIFIED
SUBJECT FW: Helms Letter on Taiwan Arms Sales [UNCLASSIFIED]
TO Williams, Mary C. (ADMIN)

CARBON_COPY**TEXT_BODY**

Mary: this has changed a bit since you worked on it yesterday. Would you be able to put it in final again? Would you also check the format? I added inside address and inserted the log number into the two memos. I have your folder with the incoming up here. It needs two red dots. Jim

-----Original Message-----

From: Keith,
James R. (ASIA)
Sent: Friday, July 30, 1999 10:40 AM
To: @RUDMAN;
@LEGISLAT - Legislative Affairs
Cc: Keith, James R. (ASIA)
Subject: Helms
Letter on Taiwan Arms Sales [UNCLASSIFIED]
Importance: High

This
is ready to go after your final review. Will need guidance on how hard to push the system on this--ok for Monday? must go for the weekend?

TRANSLATED_ATTACHMENT

0000 to srb.doc

July 30, 1999

ACTION

MEMORANDUM FOR SAMUEL BERGER

THROUGH: KENNETH LIEBERTHAL

FROM: JAMES KEITH

SUBJECT: Response to Senators Helms, Lott, and Other Members on
Taiwan Arms Sales
Notifications

Attached at Tab I is a memorandum to the President covering a
response to Senator
Helms, Lott, and other Members.

On Tuesday, July 27 we provided informal notification to Congress
on the two arms
sales cases that have attracted Helms' attention. (We received Helms' letter
Wednesday, July 28.) We plan to provide formal notification this
afternoon,
Friday, July 30.

We were informed July 29 of a third notification for sale of a radar
detector for
CH-47 helicopters to Taiwan. This third case is an amendment to a
previous arms
sales case, notified last fall. Its value is small, a total of \$3 million.
The
case is in the "pre-consultation" phase with Congress, i.e. we have not
been able
to elicit a green light yet from Hill Democrats to provide formal
notification.
This one additional case will likely be ready for notification next
week, before
Congress goes out.

Concurrence by: Miles Lackey, Joe Bouchard, Mara Rudman

RECOMMENDATION

That you sign the memorandum at Tab I.

Attachments

Tab I Memorandum to the President
Tab A Response to Senator Helms et al

5775

TRANSLATED_ATTACHMENT 0000 srb~potus.doc

ACTION

MEMORANDUM FOR THE PRESIDENT

FROM: SAMUEL BERGER
LARRY STEIN

SUBJECT: Response to Senators Helms, Lott, and Other Members on
Taiwan Arms Sales

Purpose

Respond to Senator Helms' letter complaining about pressure on
Taiwan in the wake
of President Lee Teng-hui's July 9 statement.

Background

Senators Helms, Lott, and 24 other Members wrote to complain about
alleged
postponement of arms sales notifications to Taiwan and to press the
Administration not to take punitive measures against Taiwan. The
letter also
expresses dismay that we appear to be engaged in a "verbal tilt"
toward Beijing's
view of "one China" in the imbroglio that has developed since Lee
Teng-hui
disrupted the status quo on July 9.

Lee's statement surfaced just as we were in the process of notifying
Congress
about two upcoming arms sales to Taiwan. We provided informal
notification to
Congress on those cases this week, before receipt of Helms' letter. In
cooperation with Congress we arranged to provide formal notification
on Friday,
July 30.

Your response informs the Senators that contrary to the concerns expressed in their letter we are not delaying or suspending arms sales to Taiwan. It affirms that the current framework for U.S.-Beijing-Taipei relations is working to protect and promote not only U.S. but also Taiwan interests.

RECOMMENDATION

That you sign the letter at Tab A.

Attachment

Tab A Response to Senators Helms, Lott, and others

2

5775

cc: Vice President
Chief of Staff

TRANSLATED_ATTACHMENT 0000 potus~helms.doc

Dear Mr. Chairman:

Thank you for your letter concerning recent developments in the cross-Strait relationship between Taipei and Beijing and U.S. policy toward China. I am sure you are aware notifications of Taiwan arms sales cases were sent to Congress last week. I am grateful to you and your colleagues for working with us to receive these notifications before the August recess. You can rest assured that the Administration is not delaying or suspending any arms sales notifications to

Congress.

I appreciate the strength of your convictions regarding the proper course of U.S.-China relations. We will continue to promote broad U.S. interests in the region while helping our friends in Taiwan to prosper.

Thank you again for your giving me the benefit of your views.
Sincerely,

[Name/Title in Initial Caps]
[Title/Senate/House in Initial Caps]
[Organization/Position - Initial Caps]
[Address - Initial Caps]

Exchange Mail

DATE-TIME 7/30/99 4:16:35 PM
FROM Stromseth, Jane E. (MULTI)
CLASSIFICATION UNCLASSIFIED
SUBJECT RE: Heads-Up: ILO Convention (Number 182) on the Worst Forms of Child Labor
[UNCLASSIFIED]
TO Burrell, Christina L. (LEGIS)
Lackey, Miles M. (LEGIS)
Shapiro, Daniel B. (LEGIS)
Tavlarides, Mark J. (LEGIS)

CARBON_COPY**TEXT_BODY**

Miles: Sarah Rosen Wartell of NEC and I have been working on this convention, and Sarah said she sent an advance copy of the package to your office. Let me know if you haven't received it. Also, Sarah seeks your guidance on a press release she is working on for (probably) mid next week, in particular, whether the guidance should say something positive about Helms such as "we look forward to working with Senator Helms on this." Sarah will be in touch by unclass e-mail, but I wanted to give you this heads-up. Thanks for your help on this.

-----Original Message-----

From: Stromseth, Jane E. (MULTI)

Sent: Friday, July 30, 1999 3:54 PM

To: @RECORDS & ACCESS MGMT;

@WWD - West Wing Desk

Cc: Sargeant, Stephen T. (EXSEC); Schwartz,

Eric P. (MULTI); @LEGISLAT - Legislative Affairs

Subject: Heads-Up:

ILO Convention (Number 182) on the Worst Forms of Child Labor

[UNCLASSIFIED]

Importance: High

My

counterpart at State just informed me that State expects to send over a package on the ILO Convention on the worst forms of child labor very soon (probably this afternoon), with attached materials needed for the President to submit the convention to the Senate for ratification. The President expressed strong support for this convention when he spoke before the ILO in June and said that he planned to

submit it to the Senate for ratification when he returned home. The NEC has coordinated the preparation of the supporting documents, contained in the package, with the aim of having the treaty submitted to the Senate before it goes into recess next week. The NEC and NSC have worked together on a memo to the President from Samuel Berger, Gene Sperling and Larry Stein that will accompany the package as it moves forward. In addition, NSC will draft a cover memo for Samuel Berger.

Your help in expediting this package would be greatly appreciated! Steve Sargeant and I have discussed this and recommend handling it as a red dot package. I am the action officer on this package for the NSC, and we will need the concurrence of our LEGAL office (Jamie Baker) and our LEGIS office (Miles Lackey). Thanks very much for your help on this!

Exchange Mail

DATE-TIME 8/2/99 10:44:30 AM
FROM Keith, James R. (ASIA)
CLASSIFICATION UNCLASSIFIED
SUBJECT Redo of Letter to Helms: Double Red Dot [UNCLASSIFIED]
TO Lieberthal, Kenneth G. (ASIA)
Lackey, Miles M. (LEGIS)
Shapiro, Daniel B. (LEGIS)

CARBON_COPY

TEXT_BODY JBS wanted a statement of our policy to be added to the letter to Helms, Lott, et al.

TRANSLATED_ATTACHMENT

5775 to srb REDO.doc

August 2, 1999

ACTION

MEMORANDUM FOR SAMUEL BERGER

THROUGH: KENNETH LIEBERTHAL

FROM: JAMES KEITH

SUBJECT: Response to Senators Helms, Lott, and Other Members on
Taiwan Arms Sales
Notifications

Attached at Tab I is a memorandum to the President covering a response to Senator Helms, Lott, and other Members. It is urgent because Helms and Torrecelli are co-sponsoring the Taiwan Security Enhancement Act. The House version may come up as early as Monday, August 2.

On Tuesday, July 27 we provided informal notification to Congress

on the two arms
sales cases that have attracted Helms' attention. (We received Helms' letter
Wednesday, July 28.) We provided formal notification this afternoon, Friday,
July 30.

We were informed July 29 of a third notification for sale of a radar detector for
CH-47 helicopters to Taiwan. This third case is an amendment to a previous arms
sales case, notified last fall. Its value is small, a total of \$3 million. The
case is in the "pre-consultation" phase with Congress, i.e., we have not been
able to elicit a green light yet from all Hill Democrats to provide formal
notification. This one additional case will likely be ready for notification
next week, before Congress goes out.

Concurrence by: Miles Lackey, Joe Bouchard, Mara Rudman

RECOMMENDATION

That you sign the memorandum at Tab I.

Attachments

Tab I Memorandum to the President
Tab A Response to Senator Helms et al
Tab B Incoming Correspondence
2

5775 REDO

TRANSLATED_ATTACHMENT 5775 srb~potus REDO.doc

ACTION

MEMORANDUM FOR THE PRESIDENT

FROM: SAMUEL BERGER

LARRY STEIN

SUBJECT: Response to Senators Helms, Lott, and Other Members on Taiwan Arms Sales

Purpose

Respond to Senator Helms' letter complaining about pressure on Taiwan in the wake of President Lee Teng-hui's July 9 statement.

Background

Senators Helms, Lott, and 24 other Members wrote to complain about alleged postponement of arms sales notifications to Taiwan and to press the Administration not to take punitive measures against Taiwan. The letter also expresses dismay that we appear to be engaged in a "verbal tilt" toward Beijing's view of "one China" in the imbroglio that has developed since Lee Teng-hui disrupted the status quo on July 9.

Lee's statement surfaced just as we were in the process of notifying Congress about two upcoming arms sales to Taiwan. We provided informal notification to Congress on those cases this week, before receipt of Helms' letter. In cooperation with Congress we arranged to provide formal notification on Friday, July 30.

Your response informs the Senators that, contrary to the concerns expressed in their letter, we are not delaying or suspending arms sales to Taiwan. It affirms that the current framework for U.S.-Beijing-Taipei relations is working to protect and promote not only U.S. but also Taiwan interests.

RECOMMENDATION

That you sign the letter at Tab A.

Attachments

Tab A Response to Senators Helms, Lott, and others
Tab B Incoming Correspondence

2

5775 REDO

cc: Vice President
Chief of Staff

TRANSLATED_ATTACHMENT 5775 potus~helms REDO.doc

Dear Mr. Chairman:

Thank you for your letter concerning recent developments in the cross-Strait relationship between Taipei and Beijing and U.S. policy toward China.

As you may know, we provided official notification of two Taiwan arms sales cases on July 30. I am grateful to you and your colleagues for working with us to accept these notifications before the August recess. Be assured that the

Administration is not delaying or suspending any arms sales notifications to Congress.

I appreciate the strength of your convictions regarding the proper course of U.S.-China relations. We will continue to promote broad U.S. interests in the region while at the same time helping our friends in Taiwan prosper. Taiwan could not have accomplished so much over the past two decades if not for the success of our "one China" framework in creating a stable and secure context. We intend to maintain our "one China" policy, make clear our abiding interest in peaceful resolution of differences between Chinese on both sides of

the Taiwan Strait, and encourage Taipei and Beijing to sustain cross-Strait dialogue.

Thank you again for sharing your views. This is clearly an issue that the Administration will watch with high priority.

Sincerely,

The Honorable Jesse A. Helms
United States Senate
Washington, D.C. 20510

Exchange Mail

DATE-TIME 8/2/99 11:47:28 AM
FROM Keith, James R. (ASIA)
CLASSIFICATION UNCLASSIFIED
SUBJECT Package 5775 Double Red Dot [UNCLASSIFIED]

TO Bartlett, L. June (EXSEC)
Bradtke, Robert A. (EXSEC)
Dejban, Donna D. (NSA)
Gire, Cynthia L. (EXSEC)
Hilliard, Brenda I. (EXSEC)
Jacobson, Tracey A. (ADMIN)
Joshi, M. Kay (EXSEC)
Kerrick, Donald L. (NSA)
Millison, Cathy L. (EXSEC)
Powell, Elliott (WHSR/EXSEC)
Russ, Judith P. (ADMIN)
Sargeant, Stephen T. (EXSEC)
Snip, Sarah E. (EXSEC/INTERN)
Wasserman, Elaine P. (EXSEC)
Crocker, Bathsheba N. (NSA)
Crocker, Bathsheba N. (NSA)
Gomez, Geneva B. (NSA)
Moretz, Sheila K. (NSA)
Scott-Perez, Marilyn L. (NSA)
Storey, Sharon V. (NSA)
Sutphen, Mona K. (NSA)

CARBON_COPY Allen, Charles A. (LEGAL)
Baker, James E. (LEGAL)
DeRosa, Mary B. (LEGAL)
Hunerwadel, Joan S. (LEGAL)
Krass, Caroline D. (LEGAL)
Hill, John J. (ASIA/INTERN)
Huso, Ravic R. (ASIA)
Keith, James R. (ASIA)
Lieberthal, Kenneth G. (ASIA)
Pritchard, Charles (Jack) L. (ASIA)
Williams, Mary C. (ADMIN)
Gray, Wendy E. (SPCHW/CNSLR)
Rudman, Mara E. (CNSLR)

TEXT_BODY Back to you with changes in tracking as requested, cleared by Leg,
Legal and Rudman clearance pending. Will send hard copy of

previous
version and disk with changes incorporated below back to you. Given
that you wanted the changes in tracking, am I right to assume that
you do not want a new hard copy of the package?

TRANSLATED_ATTACHMENT 5775 to srb REDO.doc

August 2, 1999

ACTION

MEMORANDUM FOR SAMUEL BERGER

THROUGH: KENNETH LIEBERTHAL

FROM: JAMES KEITH

SUBJECT: Response to Senators Helms, Lott, and Other Members on
Taiwan Arms Sales
Notifications

Attached at Tab I is a memorandum to the President covering a
response to Senator
Helms, Lott, and other Members. It is urgent because Helms and
Torrecelli are
co-sponsoring the Taiwan Security Enhancement Act, which is
gathering momentum in
Congress. The House version is expected to be marked up by the
HIRC on Thursday,
August 5..

On Tuesday, July 27 we provided informal notification to Congress
on the two arms
sales cases that have attracted Helms' attention. (We received Helms'
letter
Wednesday, July 28.) We provided formal notification this afternoon,
Friday,
July 30.

We were informed July 29 of a third notification for sale of a radar
detector for
CH-47 helicopters to Taiwan. This third case is an amendment to a
previous arms
sales case, notified last fall. Its value is small, a total of \$3 million.
The
case is in the "pre-consultation" phase with Congress. This one

additional case
will likely be ready for notification this week, before Congress goes
out.

Concurrence by: Miles Lackey, Joe Bouchard, Mara Rudman

RECOMMENDATION

That you sign the memorandum at Tab I.

Attachments

Tab I Memorandum to the President

Tab A Response to Senator Helms et al

Tab B Incoming Correspondence

2

5775 REDO

TRANSLATED_ATTACHMENT 5775 srb~potus REDO.doc

ACTION

MEMORANDUM FOR THE PRESIDENT

FROM: SAMUEL BERGER

LARRY STEIN

SUBJECT: Response to Senators Helms, Lott, and Other Members on
Taiwan Arms Sales

Purpose

Respond to Senator Helms' letter complaining about pressure on
Taiwan in the wake
of President Lee Teng-hui's July 9 statement.

Background

Senators Helms, Lott, and 24 other Members wrote to complain about
alleged
postponement of arms sales notifications to Taiwan and to press the

Administration not to take punitive measures against Taiwan. The letter also expresses dismay that we appear to be engaged in a "verbal tilt" toward Beijing's view of "one China" in the imbroglio that has developed since Lee Teng-hui disrupted the status quo on July 9.

Lee's statement surfaced just as we were in the process of notifying Congress about two upcoming arms sales to Taiwan. We provided informal notification to Congress on those cases this week, before receipt of Helms' letter. In cooperation with Congress we arranged to provide formal notification on Friday, July 30 and will notify Congress of a third, much smaller arms sale this week.

Your response informs the Senators that, contrary to the concerns expressed in their letter, we are not delaying or suspending arms sales to Taiwan. It affirms that the current framework for U.S.-Beijing-Taipei relations is working to protect and promote not only U.S. but also Taiwan interests.

RECOMMENDATION

That you sign the letter at Tab A.

Attachments

Tab A Response to Senators Helms, Lott, and others
Tab B Incoming Correspondence

2

5775 REDO

cc: Vice President
Chief of Staff

Dear Mr. Chairman:

Thank you for your letter concerning recent developments in the cross-Strait relationship between Taipei and Beijing and U.S. policy toward China.

As you may know, we provided official notification of two Taiwan arms sales cases on July 30. I am grateful to you and your colleagues for working with us to accept these notifications before the August recess. Be assured that the

Administration is not delaying or suspending any arms sales notifications to Congress.

I appreciate the strength of your convictions regarding the proper course of U.S.-China relations. We will continue to promote broad U.S. interests in the region while at the same time helping our friends in Taiwan prosper. Taiwan could not have accomplished so much over the past two decades if not for the success of our "one China" framework in creating a stable and secure environment. We intend to maintain our "one China" policy, make clear our abiding interest in peaceful resolution of differences between Chinese on both sides of the Taiwan Strait, and encourage Taipei and Beijing to sustain cross-Strait dialogue.

Thank you again for sharing your views. This is clearly an issue that the Administration will continue to watch with high priority.

Sincerely,

The Honorable Jesse A. Helms
United States Senate
Washington, D.C. 20510

Exchange Mail

DATE-TIME 8/9/99 9:35:09 AM
FROM Gray, Wendy E. (SPCHW/CNSLR)
CLASSIFICATION UNCLASSIFIED
SUBJECT FW: POTUS CJCS remarks for Monday [UNCLASSIFIED]
TO Joshi, M. Kay (EXSEC)

CARBON_COPY

TEXT_BODY This one, which I sent a bit ago, is the most current / final version.

-----Original
Message-----

From: Gray, Wendy E. (SPCHW/CNSLR)
Sent: Monday,
August 09, 1999 9:18 AM
To: @CROSS - Cross Hatches
Subject: FW:
POTUS CJCS remarks for Monday [UNCLASSIFIED]

kay -- this is the
most current. However, Paul says there may be some edits in the next
15 minutes or so. If there are, I'll send a new version

-----Original
Message-----

From: Halperin, David E. (SPCHW)
Sent: Friday, August
06, 1999 5:42 PM
To: Halperin, David E. (SPCHW); @NSA - Natl Security
Advisor; @SPEECH - NSC Speechwriters; @EXECSEC - Executive
Secretary;
@PRESS - Public Affairs; @DEFENSE - Defense Policy;
@NONPRO - Export
Controls; @LEGAL - Legal Advisor; @LEGISLAT - Legislative
Affairs;
@KOSOVO
Subject: RE: POTUS CJCS remarks for Monday [UNCLASSIFIED]

For
SRB/JBS,

POTUS remarks for Monday JCS event, delivered in final
to staff secretary for POTUS. The only revision from SRB-approved
version is additional acknowledgments in the first paragraph.

One new acknowledgment is of Wes Clark. Secretary Cohen, speaking before POTUS, will likely also acknowledge General Clark. Of course, other 4-star officers there won't be acknowledged, and we don't want to overshadow the JCS Chairmen, but it seems to make sense to single out Clark under the circumstances. Bouchard, Leavy concur.

Also, there is some chance Senator Helms will attend, which could heighten interest in our CTBT message.

-----Original Message-----

From: Halperin,
David E. (SPCHW)
Sent: Friday, August 06, 1999 11:30 AM
To: @NSA
- Natl Security Advisor; @SPEECH - NSC Speechwriters;
@EXECSEC -
Executive Secretary; @PRESS - Public Affairs; @DEFENSE -
Defense
Policy; @NONPRO - Export Controls; @LEGAL - Legal Advisor;
@LEGISLAT
- Legislative Affairs; @KOSOVO
Subject: POTUS CJCS remarks for Monday
[UNCLASSIFIED]

POTUS remarks for Monday's event commemorating the 50th anniversary of the office of Chairman, JCS. Mostly drafted by Ted. SRB-approved and delivered to staff secretary.

<< File:

cjcs 1.doc >>

Large type version to follow later today.

TRANSLATED_ATTACHMENT

cjcs 1.doc
8/6/99 5:00 pm
Widmer/Halperin

PRESIDENT WILLIAM JEFFERSON CLINTON
REMARKS AT 50TH ANNIVERSARY OF CHAIRMAN OF JOINT
CHIEFS OF STAFF
FORT MEYER, VIRGINIA
AUGUST 9, 1999

Thank you, Sec. Cohen, for your fine remarks and for your remarkable leadership.
Gen. Shelton, thank you for your eloquent words and for all you are

doing to keep
America strong and secure. Sec. West; Sen. Thurmond, [others tk],
and all the
members of Congress here; our service secretaries; Gen. Wes Clark --
I am
extremely grateful for your tremendous leadership in our victory in
Kosovo; other
leaders and members of our armed forces; Alma Powell and all the
families; Gen.
Joe Ralston and all the current and former members of the Joint
Chiefs of Staff;
and especially the former Chairmen who are here -- Adm. Thomas
Moorer, Gen. David
Jones; Gen. John Vessey; Adm. William Crowe; Gen. John
Shalikashvili: I am very
honored to be with you to celebrate a half-century of extraordinary
leadership
and service.

As we have heard, it was fifty years ago that Omar Bradley was
summoned to assume
the new office of Chairman of the JCS. The great general who had
commanded the
First Army on D-Day once again answered his nation's call, as
America faced a
post-war stand-off at times as dangerous as the war itself.

Soon after, war broke out in Korea, and American forces again were
asked to
defend freedom. Coordination among the services and with the State
Department
and the White House was more important than ever. With Gen.
Bradley playing a
crucial role, America met its most urgent imperatives -- helping to
preserve
freedom in South Korea, even as we defended Europe and allowed
democracy to
flourish there. We proved, yet again, that our military is second to
none.

Since Gen. Bradley, 13 remarkable leaders have assumed the high
mantle of this
office, providing wise and honest counsel at crucial moments to every
President
and Secretary of Defense ... helping to shape a world of greater
promise than our
parents' generation could have imagined. Challenges always will
remain. But at
the end of the century, freedom is ascendant. America is secure. Our
people can

look forward with confidence. These 14 men deserve a great deal of the credit.

To Gen. Shelton and the former chairman here today, let me say, thank you for all you have done for America.

I have worked very closely with three Chairmen, Colin Powell, John Shalikashvili and Hugh Shelton -- as well as with a previous Chairman, Bill Crowe.

My admiration for all of them is beyond measure. My esteem for the office has only grown more as I have met other former Chairmen. Few positions require its occupant to think harder about the threats that a nation faces and will face; few force a man, and someday a woman, to weigh more soberly the cost of action against the cost of inaction; few require a person to spend more time considering not only how to win war, but just as important, how to avoid war.

That includes the grave danger of nuclear war. Omar Bradley once said: "The way to win an atomic war is to make certain it never starts." The nuclear threat has receded in some respects, and increased in others. There is something we can do right now to reduce the risk further: We can ask the Senate to vote for ratification of the Comprehensive Test Ban Treaty -- to end nuclear testing forever.

The Treaty was proposed by President Eisenhower and championed by President Kennedy. The American people consistently have supported it. The United States and 151 other countries now have now signed it; 41 countries -- including many of our allies -- have already ratified. We must not let this extraordinary opportunity slip away.

Four of our former JCS Chairmen -- Gen. Jones, Adm. Crowe, Gen. Powell, and Gen. Shalikashvili -- have issued a statement endorsing the Treaty and its accompanying safeguards. They agree with Gen. Shelton that the Treaty is in America's national interest.

The reason why is clear: The United States has already stopped

nuclear testing.

Leading experts say we can maintain a safe and reliable nuclear deterrent without

further tests. So the question is: will we join -- or will we lose -- a verifiable treaty that could prevent other countries from testing nuclear weapons?

If we do not ratify, the Treaty, by its terms, cannot enter into force.

And

countries around the world will feel increased pressure to develop and test

nuclear weapons, in ever-more destructive varieties, threatening the security of everyone on Earth.

So today once again I call on the Senate Foreign Relations Committee to hold

hearings on the Treaty this fall. The full Senate should vote for ratification

as soon as possible. It should do so for one simple reason: because the

Comprehensive Test Ban Treaty will strengthen the national security of the United

States and help build a safer world.

As we approach a new century, Americans have never been prouder of our men and

women in uniform. Thanks to their courage and skill during NATO's campaign in

Kosovo, a brutal campaign of ethnic cleansing has been reversed, our alliance is

united and strong, and there is new hope for a world where people are not

murdered and uprooted because of their ethnic heritage or the way they worship

God.

Operation Allied Force was one of the most remarkable military campaigns of the

century: over 30,000 sorties flown, and no combat casualties. But let us be

clear. It is dangerous to believe in the illusion of a risk-free war. There is

no such thing. In Kosovo, our pilots risked their lives every day; they took

enemy fire; they faced enemy aircraft; time and again, they put themselves in

greater danger to avoid hitting civilians on the ground. And not every conflict

will be like Kosovo; not every battle will be won from the air.

Our job is to reduce the risks as much as we can. That is why we should not send our servicemen and women into harm's way unless we are certain that the purpose is clear, the mission is achievable, and peaceful options have been exhausted. And when we do send them, we must make sure they have the tools they need to get the job done.

Our forces prevailed in Kosovo because of their incomparable skill and courage and also because the American people gave them the best equipment and training in the world. That must never change. We must always maintain a high level of readiness. We must prepare now for tomorrow's threats. We must never forget: Freedom is not free.

In his memoir of World War II, Omar Bradley wrote that no matter how high an officer's rank, it was important to "scoff at the myth of the indispensable man, for we have always maintained that Arlington Cemetery is filled with indispensable men." That statement is a tribute to the decency and humility of a remarkable leader. But surely it does not do full justice to the role played by the exceptional men who have filled this office. So to all of the Chairmen of the Joint Chiefs of Staff, thank you, once again, for your lifetimes of service to our great nation.

###

3

TRANSLATED_ATTACHMENT

cjcs.big.doc
8/6/99 5:00 pm
Widmer/Halperin

PRESIDENT WILLIAM JEFFERSON CLINTON
REMARKS AT 50TH ANNIVERSARY OF CHAIRMAN OF JOINT
CHIEFS OF STAFF
FORT MEYER, VIRGINIA
AUGUST 9, 1999

Thank you, Sec. Cohen, for your fine remarks and for your remarkable leadership.
Gen. Shelton, thank you for your eloquent words and for all you are doing to keep
America strong and secure. Sec. West; Sen. Thurmond, [others tk], and all the
members of Congress here; our service secretaries; Gen. Wes Clark -- I am
extremely grateful for your tremendous leadership in our victory in Kosovo; other
leaders and members of our armed forces; Alma Powell and all the families; Gen.
Joe Ralston and all the current and former members of the Joint Chiefs of Staff;

and especially the former Chairmen who are here -- Adm. Thomas Moorer, Gen. David
Jones; Gen. John Vessey; Adm. William Crowe; Gen. John Shalikashvili. I am very
honored to be with you to celebrate a half-century of extraordinary leadership
and service.

As we have heard, it was fifty years ago that Omar Bradley was summoned to assume
the new office of Chairman of the JCS. The great general who had commanded the
First Army on D-Day once again answered his nation's call, as America faced a
post-war stand-off at times as dangerous as the war itself.

Soon after, war broke out in Korea, and American forces again were asked to
defend freedom. Coordination among the services and with the State Department
and the White House was more important than ever. With Gen. Bradley playing a
crucial role, America met its most urgent imperatives -- helping to preserve
freedom in South Korea, even as we defended Europe and allowed democracy to
flourish there. We proved, yet again, that our military is second to none.

Since Gen. Bradley, 13 remarkable leaders have assumed the high mantle of this office, providing wise and honest counsel at crucial moments to every President and Secretary of Defense ... helping to shape a world of greater promise than our parents' generation could have imagined. Challenges always will remain. But at the end of the century, freedom is ascendant. America is secure. Our people can look forward with confidence. These 14 men deserve a great deal of the credit. To Gen. Shelton and the former chairman here today, let me say, thank you for all you have done for America.

I have worked very closely with three Chairmen, Colin Powell, John Shalikashvili and Hugh Shelton -- as well as with a previous Chairman, Bill Crowe. My admiration for all of them is beyond measure. My esteem for the office has only grown more as I have met other former Chairmen. Few positions require its occupant to think harder about the threats that a nation faces and will face; few force a man, and someday a woman, to weigh more soberly the cost of action against the cost of inaction; few require a person to spend more time considering not only how to win war, but just as important, how to avoid war.

That includes the grave danger of nuclear war. Omar Bradley once said: "The way to win an atomic war is to make certain it never starts." The nuclear threat has receded in some respects, and increased in others. There is something we can do right now to reduce the risk further: We can ask the Senate to vote for ratification of the Comprehensive Test Ban Treaty -- to end nuclear testing forever.

The Treaty was proposed by President Eisenhower and championed by President Kennedy. The American people consistently have supported it.

The United States and 151 other countries now have now signed it; 41

countries --
including many of our allies -- have already ratified. We must not let
this
extraordinary opportunity slip away.

Four of our former JCS Chairmen -- Gen. Jones, Adm. Crowe, Gen.
Powell, and Gen.
Shalikashvili -- have issued a statement endorsing the Treaty and its
accompanying safeguards. They agree with Gen. Shelton that the
Treaty is in
America's national interest.

The reason why is clear: The United States has already stopped
nuclear testing.
Leading experts say we can maintain a safe and reliable nuclear
deterrent without
further tests. So the question is: will we join -- or will we lose -- a
verifiable treaty that could prevent other countries from testing
nuclear
weapons?

If we do not ratify, the Treaty, by its terms, cannot enter into force.
And
countries around the world will feel increased pressure to develop and
test
nuclear weapons, in ever-more destructive varieties, threatening the
security of
everyone on Earth.

So today once again I call on the Senate Foreign Relations Committee
to hold
hearings on the Treaty this fall. The full Senate should vote for
ratification
as soon as possible. It should do so for one simple reason: because the

Comprehensive Test Ban Treaty will strengthen the national security
of the United
States and help build a safer world.

As we approach a new century, Americans have never been prouder
of our men and
women in uniform.

Thanks to their courage and skill during NATO's campaign in
Kosovo, a brutal
campaign of ethnic cleansing has been reversed, our alliance is united
and
strong, and there is new hope for a world where people are not
murdered and
uprooted because of their ethnic heritage or the way they worship

God.

Operation Allied Force was one of the most remarkable military campaigns of the century: over 30,000 sorties flown, and no combat casualties. But let us be clear. It is dangerous to believe in the illusion of a risk-free war. There is no such thing.

In Kosovo, our pilots risked their lives every day; they took enemy fire; they faced enemy aircraft; time and again, they put themselves in greater danger to avoid hitting civilians on the ground. And not every conflict will be like Kosovo; not every battle will be won from the air.

Our job is to reduce the risks as much as we can. That is why we should not send our servicemen and women into harm's way unless we are certain that the purpose is clear, the mission is achievable, and peaceful options have been exhausted.

And when we do send them, we must make sure they have the tools they need to get the job done.

Our forces prevailed in Kosovo because of their incomparable skill and courage and also because the American people gave them the best equipment and training in the world. That must never change. We must always maintain a high level of readiness. We must prepare now for tomorrow's threats. We must never forget: Freedom is not free.

In his memoir of World War II, Omar Bradley wrote that no matter how high an officer's rank, it was important to "scoff at the myth of the indispensable man, for we have always maintained that Arlington Cemetery is filled with indispensable men." That statement is a tribute to the decency and humility of a remarkable leader. But surely it does not do full justice to the role played by the exceptional men who have filled this office. So to all of the

Chairmen of
the Joint Chiefs of Staff, thank you, once again, for your lifetimes of
service
to our great nation.

#

1

Exchange Mail

DATE-TIME 8/9/99 10:03:19 AM
FROM Joshi, M. Kay (EXSEC)
CLASSIFICATION UNCLASSIFIED
SUBJECT RE: POTUS CJCS remarks for Monday [UNCLASSIFIED]
TO Gray, Wendy E. (SPCHW/CNSLR)

CARBON_COPY

TEXT_BODY

Thanks. Laura Marcus left here happy!

-----Original Message-----

From: Gray,
Wendy E. (SPCHW/CNSLR)
Sent: Monday, August 09, 1999 9:35 AM
To: Joshi,
M. Kay (EXSEC)
Subject: FW: POTUS CJCS remarks for Monday [UNCLASSIFIED]

This
one, which I sent a bit ago, is the most current / final version.

-----Original
Message-----

From: Gray, Wendy E. (SPCHW/CNSLR)
Sent: Monday,
August 09, 1999 9:18 AM
To: @CROSS - Cross Hatches
Subject: FW:
POTUS CJCS remarks for Monday [UNCLASSIFIED]

kay -- this is the
most current. However, Paul says there may be some edits in the next
15 minutes or so. If there are, I'll send a new version

-----Original
Message-----

From: Halperin, David E. (SPCHW)
Sent: Friday, August
06, 1999 5:42 PM
To: Halperin, David E. (SPCHW); @NSA - Natl Security
Advisor; @SPEECH - NSC Speechwriters; @EXECSEC - Executive Secretary;
@PRESS - Public Affairs; @DEFENSE - Defense Policy; @NONPRO - Export
Controls; @LEGAL - Legal Advisor; @LEGISLAT - Legislative Affairs;

@KOSOVO

Subject: RE: POTUS CJCS remarks for Monday [UNCLASSIFIED]

For
SRB/JBS,

POTUS remarks for Monday JCS event, delivered in final to staff secretary for POTUS. The only revision from SRB-approved version is additional acknowledgments in the first paragraph.

One new acknowledgment is of Wes Clark. Secretary Cohen, speaking before POTUS, will likely also acknowledge General Clark. Of course, other 4-star officers there won't be acknowledged, and we don't want to overshadow the JCS Chairmen, but it seems to make sense to single out Clark under the circumstances. Bouchard, Leavy concur.

Also,
there is some chance Senator Helms will attend, which could heighten interest in our CTBT message.

<< File: cjcs 1.doc >> << File:
cjcs.big.doc >>

-----Original Message-----

From: Halperin, David

E. (SPCHW)

Sent: Friday, August 06, 1999 11:30 AM

To: @NSA -

Natl Security Advisor; @SPEECH - NSC Speechwriters; @EXECSEC - Executive

Secretary; @PRESS - Public Affairs; @DEFENSE - Defense Policy;

@NONPRO

- Export Controls; @LEGAL - Legal Advisor; @LEGISLAT - Legislative Affairs; @KOSOVO

Subject: POTUS CJCS remarks for Monday [UNCLASSIFIED]

POTUS

remarks for Monday's event commemorating the 50th anniversary of the office of Chairman, JCS. Mostly drafted by Ted. SRB-approved and delivered to staff secretary.

<< File: cjcs 1.doc >>

Large

type version to follow later today.

Exchange Mail

DATE-TIME 9/3/99 9:25:54 PM
FROM Wozniak, Natalie S. (PRESS)
CLASSIFICATION UNCLASSIFIED
SUBJECT Sept 7 Press Guidance [UNCLASSIFIED]
TO Wozniak, Natalie S. (PRESS)

CARBON_COPY
TEXT_BODY
TRANSLATED_ATTACHMENT

sep07gui.doc
NATIONAL SECURITY AFFAIRS GUIDANCE

September 7, 1999

EUROPE / RUSSIA

Kosovo/KLA "Kosovo Corps" Agreement

US-Russia Law Enforcement Contacts

Russian TV Station

Russia/IMF Loans

Russia/Corruption and Crime

U.S. Policy Towards Russia

POTUS Trip to Canada

ASIA

East Timor

Chinese Embassy Bombing/Payments

China WTO

NEAR EAST/SOUTH ASIA

MEPP/Israeli-Palestinian Agreement

DEFENSE

CTBT

KOSOVO: KLA "KOSOVO CORPS" AGREEMENT

September 3, 1999

What is your reaction to the agreement to allow the KLA to form a Kosovo Corps"?

* First let me point out that an agreement has not been reached. That said, the Kosovo Corps described in the NYT is under active discussion.

* The KLA continues to cooperate and demilitarize. Ongoing discussions are aimed at arriving at the most effective ways to complete demilitarization by September 19.

* We are discussing a series of alternative programs to reintegrate the KLA and its members into civilian life. We are urging them to apply for the police force and to participate in a range of other activities that will contribute to a democratic and prosperous Kosovo.

* One alternative under discussion is the transformation of a part of the KLA into a civilian force that would deal with emergencies such as disaster relief and search and rescue operations, participate in rebuilding the infrastructure of Kosovo, and assist KFOR and UNMIK in ceremonial activities.

* Members of such a force would wear non-military uniforms appropriate to their function. Consideration is being given to allowing them a limited supply of small arms -- only what is necessary to protect themselves and their equipment..

What about extending the September 19 deadline for demilitarization?

* The Sept. 19 deadline for complete demilitarization of the KLA has not been extended and remains in effect. The 10 day extension under consideration would not apply to demilitarization, but rather to completing the transformation of the KLA into a civilian force of the kind being discussed.

* We do not support independence for Kosovo and do not see such a civilian force as the basis for a future Kosovo army.

US-RUSSIA LAW ENFORCEMENT CONTACTS September 3, 1999

Can you confirm that Russia has offered to send law enforcement officials to the U.S. to discuss the Bank of New York case?

* As part of our broader bilateral relationship with Russia we have extensive contacts with Russian law enforcement.

* We will continue to have those contacts, here in Washington, in Moscow, and elsewhere as needed to conduct business.

RUSSIAN TV STATION
September 3, 1999

BACKGROUND: According to the Washington Post and other media, Russia's new Media Ministry announced Sept. 2 the suspension of the license of the St. Petersburg Television and Radio Company because its report on a rally of the liberal Right Cause political movement was deemed to violate laws on the media and voters' rights. The TV report had asserted, without evidence, that there was widespread use of drugs at the rally. The network chairman complained that the network had not been told what the violation of the law was. A Russian opposition politician denounced the move as "the beginning of censorship".

Any comment on the Russian government's closure of a St. Petersburg television station over the content of a news broadcast?

* Have seen reports that the license of the St. Petersburg Television and Radio Company has been suspended because its report on a political rally violated laws on the media and voters' rights. Are not yet aware of the details of the case.

* Have made clear to Russian government the importance of sustaining freedom of the press. Will continue to follow this case closely.

If asked--Have you protested this move to the Russian government?

* As always, first step in such matters is to aggressively gather the facts to make sure that we act on the basis of complete information. We are doing so, and will follow up appropriately once we have all the facts.

RUSSIA: IMF LOANS

September 1, 1999

Background: Title of a USA Today article misconstrues an accurate quote from Larry Summers cited later in the article concerning our policy toward IMF loans to Russia. The headline states: "U.S. seeks a pause in Russia loans." Summers' quote simply states our requirement for adequate safeguards and for adequate accounting for use of previous funds..

Is the U.S. seeking a pause in IMF lending to Russia?

- * No. The United States has a consistent policy.
- * As it normally does, the IMF is doing its review with respect to the second tranche and it would be premature to make any judgement as to whether Russia will meet the conditions for that disbursement.
- * The United States has insisted that there be adequate safeguards in place with respect to the current program and that there be an adequate accounting for the use of past funds.

RUSSIA-CRIME AND CORRUPTION

August 30, 1999

Bank of New York

What can you say about the investigation on money laundering and the Bank of New York?

- * Investigation is ongoing and facts are still being established.

- * There has been extensive speculation about the amounts and sources of money involved, including possible diversion of IMF and U.S. assistance funds.

- * We have been told by the Department of Justice that many of the allegations published in the press, including references to IMF or U.S. assistance funds, are based on speculation, outdated or are factually incorrect.

- * We cannot comment further on an ongoing investigation

Were IMF funds laundered by the Bank of New York?

- * At this time, we have not been given any information from U.S. law enforcement officials to substantiate media reports that IMF money was involved in the suspected money laundering.

- * This case is in an early stage of development and the Justice Department will continue to investigate this matter. Our assessments regarding the IMF will, of course, be reviewed should we receive any new or different information from the Justice Department.

Any comment on reporting that Swiss authorities are investigating alleged payments made by Swiss firm Mabetex to Kremlin business manager Borodin, which allegedly went to Boris Yeltsin and his daughters?

- * Have seen reports about this matter. Understand that President Yeltsin and his family have denied the allegations. Have no basis for further comment.

Why wasn't the foreign policy community briefed on the Bank of New York investigation?

- * There is a longstanding understanding and practice between the foreign policy community and law enforcement officials, predating this Administration, that makes clear that law enforcement officials will determine when cases have national security implications and therefore require that foreign policy officials be briefed.

- * The purpose of this understanding is to protect the integrity of

investigations. On that basis, the Department of Justice had determined it was premature to brief foreign policy officials on the Bank of New York case.

- * Information in the press on this case has been inconsistent and underscores the need for a full investigation.

- * We are fully committed to getting to the bottom of these allegations, wherever the trail may lead, and we adhere to the principle that protecting the confidentiality and integrity of this investigation is the only way to ensure that.

- * We have every confidence that the law enforcement community will continue to conduct this investigation in a thorough and professional manner consistent with established practices and principles.

Why did it take so long for officials to be briefed? Who's been briefed?

- * It is important to remember that the Department of Justice determines when it is appropriate to brief foreign policy officials taking into account both national security implications and the need to protect the integrity of the investigation.

- * I need to stress that the investigation is ongoing, the facts are being established, and public speculation could compromise the investigation.

- * Attorney General Reno was briefed by Department of Justice and FBI officials on August 26. Some members of President Clinton's national security team received a version of this briefing, and others may be briefed who have a need to know.

Have heard the Vice President Gore was "out of the loop" on the BONY case. What's wrong?

- * First, there was no loop to be in until the members of the national security team heard its first briefing on these cases on August 27. The Vice President's national security team was included in that briefing.

- * Second, I would stress again that the Department of Justice determines when it

is appropriate to brief foreign policy officials taking into account both national security implications and the need to protect the integrity of the investigation.

Will you raise this issue with the Russians? Have you asked the Russian Government to cooperate and have it been responsive?

- * We have consistently raised our concerns about crime and corruption with Russian officials and will continue to do so at every level.

- * U.S. law enforcement officials have engaged Russian counterparts on aspects of this case.

- * Understand that the Russians have opened their own investigation into this matter.

If asked: Have U.S. law enforcement officials asked policymakers to raise these specific cases with the Russians?

- * U.S. law enforcement agencies have not asked the U.S. foreign policy community to raise these cases with the Russian government.

Corruption and the IMF

Were IMF funds laundered by the Bank of New York? (repeated from above)

- * At this time, we have not been given any information from U.S. law enforcement officials to substantiate media reports that IMF money was involved in the suspected money laundering. Nor have we been given any information, at this time, that would change our policy toward IMF loans to Russia.

- * This case is in an early stage of development and the Justice Department will continue to investigate this matter. Our assessments regarding the IMF will, of course, be reviewed should we receive any new or different information from the Justice Department.

What can you say about FIMACO and the Loan the IMF gave to Russia in July?

* Allegations surfaced this spring that Russian Central Bank reserves may have been diverted or misappropriated through an obscure offshore subsidiary, FIMACO. Subsequently, allegations were made by a member of the Russian Duma that IMF funds provided to Russia in July 1998 had been stolen by Russian officials.

* When we learned of these allegations, we immediately made clear to the IMF and the Russian government that the allegations must be addressed before we could consider supporting any additional IMF funding to Russia.

* The IMF directed that investigations of FIMACO and the disposition of the July 1998 tranche be done by the accounting firm PricewaterhouseCoopers (PWC) and presented to the IMF board prior to consideration of any new loans to Russia. The investigations were designed to address the specific allegations that had emerged.

* We also insisted that any new loans to Russia contain ironclad safeguards that would ensure that funds stayed in IMF accounts and therefore could only be used to repay earlier IMF loans.

* The first phase of the investigations was completed in July. The PWC reports concluded that during 1996 the CBR had lied to the IMF by using FIMACO to inflate its reserve levels. It did not find evidence that any funds had been misappropriated. The reports further concluded that the allegations that the IMF's July 1998 tranche had been stolen were false.

* Based on this information we decided to support an IMF program for Russia including the necessary safeguards, which will remain in place going forward.

* We will continue to insist that reasonable allegations be fully investigated. As a requirement for release of the next IMF tranche scheduled for late September, PWC is preparing a report which investigates CBR's other foreign subsidiaries.

Why did the Administration keep pouring money into Russia and pushing for IMF loans, knowing that it was being siphoned off by a corrupt few?

- * First, no one in the Administration ever discounted the serious challenge that corruption presents all of us. This is a problem we watch very closely and remain concerned about.
- * Second, we need to be clear about purpose of assistance from U.S. and international financial institutions: it was and remains to advance reforms that promote openness, competition, economic prosperity, and the rule of law.
- * U.S. assistance was not provided as cash, but as technical assistance and training on issues such tax reform, commercial law, development of an independent judiciary, small business development, private ownership of property. These are difficult issues, there are no "complete" successes, but important foundations have been laid.
- * The IMF and World Bank lend to Russia on the basis of specific reforms negotiated between the Russian government and these institutions. These reforms require transitional steps; no society remodels itself overnight.
- * When Russian economic reform lagged, IMF withheld support, delayed disbursements or reduced funding.
- * While all of us would prefer to see Russia further along in its transition, the international support provided to Russia has been an essential part of helping Russia take difficult internal steps to restructure itself.
- * Our policy has been to work with the Russians to help them to improve their institutions, rather than to isolate and ostracize them. We are committed to pursuing sensible, effective strategies and mechanisms to further this engagement.
- * Throughout Russia's transition, we have been seriously concerned about levels of official corruption and ties to organized crime. We have consistently insisted on transparency and accountability in our bilateral and multilateral dealings with Russia. When we have had credible information about suspect activity, we have insisted on full and complete investigations. We will continue to insist on such transparency.

* Finally it is doubtful that reducing our support for the reform process or privatization would have resulted in less corruption. Inefficient state-owned companies were, if anything, more open to corruption than privatized firms since their bureaucratic managers lacked any market incentives to improve performance and the state had little capacity to control asset stripping.

* We have consistently insisted on transparency and accountability in our bilateral and multilateral dealings with Russia. When problems have been raised, we have insisted on full and complete investigations. We will continue to insist on such transparency.

* We have encouraged the IMF to continue to pursue its investigations into CBR management of Russia's foreign exchange reserves, and have encouraged the Russian government to cooperate fully.

* Want to stress, though, that Russia's struggle with crime and corruption is part of a broader, global problem. We learned a great deal after our own savings and loan and banking crises, and after the Asian crisis last year. In this context, we will work with Russia and all other governments to improve our international financial architecture.

Crime and Corruption in Russia

Is it true that Vice President Gore and possibly others in the Administration ignored intelligence reports about corruption involving Chernomyrdin and other high-level Russian officials? Why has Administration closed its eyes?

* Do not and will not comment on intelligence reports.

* Have stated unequivocally that there is a problem of crime and corruption in Russia, and we are addressing it seriously with Russia's leadership and law enforcement officials. But need to understand that these problems have deep roots in Russian and Soviet history, and cannot expect that they will be solved overnight.

* Faced a fundamental choice in 1991/92: support and encourage historic demise of communism, or urge the Russians to hold off for decades until the laws, institutions, regulation of a market economy could be put into place. In real terms, there was no option.

* Have to expect in this context that problems would arise as Russia privatized property, liberalized prices, created a foreign exchange market. Authoritarian controls of the past were dismantled. New laws, institutions, regulations will take years to put in place.

* U.S. interests best served by encouraging dismantling of communist structures and creation of private property by work with Russia to put in place the market infrastructure to safeguard against crime and corruption.

* Vice President Gore has strong and long-standing commitment to reducing this problem and uses our Binational Commission, which he co-chairs, to advance programs that combat crime and corruption. The Vice President took a proactive role encouraging high-level Russian participation in February anti-corruption conference.

* Under the auspices of the Vice President's Binational Commission and through other channels, we have worked closely with Russians to develop programs - with participation of U.S. law enforcement - to tackle crime and corruption. U.S. and Russian law enforcement officials working together more closely on specific cases.

* Inevitably will be frustrations. Only Russia can put new laws, regulations and institutions in place. Russia will determine the pace of change. But it is fundamentally in our interest to engage with Russia and influence the process.

Do you have anything to show for your efforts? Seems like no progress has been made and that the problem is only growing worse.

* We have a broad array of bilateral programs to help Russia come to grips with its crime and corruption problems. We work in five broad areas:

* Enactment of effective legislation to deal with corruption, organized crime,

and money laundering;

- * Development of enforcement mechanisms, including through reform of law enforcement agencies and judicial authorities;
- * Use of the media and non-governmental organizations to garner public support for a successful fight against corruption;
- * Adoption of best practices such as those tabled at the Global Forum to provide a solid foundation as countries such as Russia develop their own anti-corruption strategies;
- * Use of proven techniques (such as World Bank's diagnostic program) to provide assessments of the weaknesses in specific institutions and the social costs of corruption.

Can you be more specific about the programs you have with Russia?

- * First are programs under USAID Rule of Law Project developed in response to a presidential initiative that arose out of the 1993 Vancouver Summit. Designed to work with core Russian legal institutions on judicial and prosecutor training, legal education reform and strengthening of legal NGOs. Here are some highlights:
 - * USAID assisted the authors of the commercial law sections of Russia's new Civil Code, the fundamental legislation under which the market economy functions.
 - * Assistance to Commercial Courts, outside the Ministry of Justice, training hundreds of commercial court judges in fundamental concepts of market-oriented commercial law and in the new Russian Civil Code.
 - * Russian Constitution: Our ABA/CEELI assisted in the development of the Constitution, including hosting the Russian Constitutional Commission for a weeklong drafting workshop in Washington.
 - * We trained and equipped the Law Academy judicial training staff in Moscow and branches around the country reaching hundreds of judges through region seminars.
- * Second, we work to promote a sound and independent judiciary. Although serious problems remain, the Russian judiciary has never been as independent as it is today and we are helping strengthen this trend.

* Have helped created a new independent department under the Supreme Court: Partly as a result of exposure to the American model of judicial independence through our programs, a new Judicial Department independent of the Ministry of Justice was created in 1997 and received a separate appropriation in 1998. This Department, instead of the Ministry of Justice, will administer the courts of general jurisdiction--a big step toward gaining independence from the executive branch. The new department is modeled after the US Administrative Office of the US Courts; our support in establishing this department will help courts operate independently of the executive.

* We are working with the Supreme Qualifying Collegium, the body that sits in judgment over judges accused of ethics lapses.

* Third, we provide support for strong criminal laws:

* We have provided extensive advice and helped draft the major criminal laws: the Criminal Code (passed and enacted), Crime law, money laundering and corruption law. (Note: these passed the Duma, but were vetoed by Yeltsin.) We have helped with the criminal procedure law still pending Duma action.

* Fourth, the professionalism of Russian lawyers is increasing with our help.

* The ABA/CEELI works with lawyers and legal professional groups around the country to develop advocacy skills and responsiveness to public needs. The ABA has been instrumental in training on the new civil and commercial codes.

* We have supported a number of law schools, most recently helping establish public legal clinics that provide practical training to future lawyers and respond to citizens' legal needs.

* We are also promoting grass-roots demand for anti-corruption reform:

* We are strengthening the independent media promoting a free press and watchdog for corruption. Eurasia Foundation small grants for civic groups and NGOs working with local officials to encourage responsiveness to the public; transparency of budgets and decision making.

- * We are also putting in place some basic building blocks for market economics:
- * The USG is working with the American Chamber of Commerce in Russia to encourage the adoption of international accounting standards. USAID seminars and workshops on IAS have been run in Moscow, Samara and Novgorod and a model program is beginning Samara.
- * USAID has begun working with the government accounting chamber to encourage its evolution into a GAO.
- * USAID has provided assistance to over 250,000 Russian entrepreneurs, in management, financial accountability and business development to meet the demands of an open economy. Eight regional business support centers and 200 business support institutions supported by USAID also promote business development skills.
- * Better banking and bankers. USAID has worked to tighten supervision of the commercial banking system. As a result, the number of credit institutions with banking licenses revoked for violation of banking legislation and Bank of Russia regulations has grown from 654 at the end of 1994 to 1004 at the end of 1998. We have taught more than 2,3000 commercial bankers in 30 disciplines of banking since 1994.
- * Fair and transparent securities markets. USAID helped establish the Russian Trading System, which is an over the counter trading platform necessary for a smoothly functioning market. As of the beginning of 1998, more than 400 brokers used the system.
- * Infrastructure for capital markets: USAID helped establish the Russian Securities Exchange Commission and its 15 regional offices, the National Association of Professional Capital Markets Participants and the National Association of Brokers and Dealers which has over 1000 members in 50 regions.

But aren't corruption problems still rampant? Aren't all these efforts just a failure?

- * Important to view work on crime and corruption as part of Russia's massive transformation. This is a work in process, and it will take years to complete.
- * Challenge for us is to make sure we maintain a clear agenda, use our diplomatic channels to reinforce that agenda at every level, stay engaged on enforcement issues, and provide assistance where Russia is willing to use it effectively.
- * Money laundering remains at the top of the agenda. Russia needs to pass a money laundering law, engage with international community to adopt international practices, delineate clearly who in its government is responsible for enforcement, and build the capacity to investigate and act.
- * The court system is weak, subject to corruption and has enormous problems enforcing judgements. There needs to be a new bailiffs system to enforce civil and commercial cases.
- * The bank system needs to be completely overhauled, and that is why it is the subject of both IMF and World Bank conditionality. Already the IMF has helped secure the passage of bank reform and bankruptcy laws that will help close down old banks. It will take time to reconstruct a modern financial system.
- * The tax system needs to be more transparent and consistent. Some progress has been made in collecting taxes, but a new tax code is needed that reallocates the burden of paying taxes and cuts out loopholes. Again, we are working with both the government and Duma on drafts.
- * Law enforcement institutions have had little training in basic economics. It is hard for them to enforce laws when the concepts behind them are alien to typical law enforcement officials. As laws and regulations are increasingly in place, need to do more to ensure effective implementation and enforcement.
- * Process will take time. But only way to address problem is to keep working with Russia to help it create capacity.

U.S. POLICY TOWARDS RUSSIA

August 30, 1999

How does the Administration respond to critics who claim that Russia is "lost" and that U.S. policy has helped bring this about? Don't recent developments demonstrate that your approach failed?

* The first principle of U.S. policy toward Russia is to enhance the security of the United States. What happens in Russia has fundamental impact on our security. Our policies and programs have been designed to promote Russia's transition toward democracy and market-based economy while facilitating Russia's integration with international community. Would be irresponsible to do anything else.

* Russia undergoing three revolutionary transformations simultaneously -- building a new state, creating a market economy, and developing new relationship with international community. That's like building an airplane while you're flying it. Must anticipate that there will be tensions and conflicting demands among these three processes (e.g., pace of economic reform directly tied to internal political situation, legislative branch's views on way forward, etc.)

* Second, Russia is not lost. Since 1992, reformers in Russia have been working to disassemble the vestiges of seven decades of Communism and have begun to create the foundations of a modern market democracy. This process is far from complete. The question is whether we continue to support this transition or abandon it at a mid-point.

* When Russia's transformation began, everyone acknowledged that it would take at least a generation, very likely more. We should think twice before we start declaring Russia's transition a success or failure just seven years after it embarked on this unprecedented journey.

* Third, Russia isn't ours to lose or win. Russia will ultimately succeed or fail on the basis of its own efforts and energy, its own creativity and commitment to reform. Fundamentally, Russia is restructuring the foundations of its political and economic life. The outcome affects us. It is in our interest to influence it, but only Russians can define the nature of their own society.

- * Engaging Russia on issues of common interest - reducing nuclear arsenals, nonproliferation, economic prosperity, the rule of law - gives us the best opportunity to achieve solutions that serve long-term American interests.

But let's be honest, isn't Russia a basketcase country hostile toward the U.S. and lurching toward authoritarianism and economic meltdown?

- * Should think about what has been accomplished since 1993:

In the political/security sphere:

- * Elections now routine across Russia for all levels of government, including presidency, and Russian voter turn-out is much higher than in the U.S. Russian citizens enjoy more basic freedoms (speech, travel, religion) and are more connected to outside world than any time in their history. While there are disturbing signs of political extremism, anti-Semitism and intolerance, Russians for the first time have the opportunity to speak out against it.

- * Tremendous positive impact on our national security. U.S. and Russia dismantling thousands of nuclear weapons, other parts of our Cold War era arsenals. Plan to negotiate even deeper cuts in strategic nuclear weapons through START III.

- * Russian troops have pulled out from Baltic countries. U.S. has supported independence, sovereignty, and territorial integrity of other NIS. Have encouraged them to develop equitable, predictable relations with Russia and have worked to ensure that NIS are fully integrated into international community.

- * U.S. and Russia cooperating on range of important international issues and working constructively to solve problems -- from keeping the peace in Kosovo to bringing Europe closer together. U.S. and Russian troops serving shoulder to shoulder on ground in Kosovo and Bosnia.

In the economic sphere:

- * Russian economic situation still precarious. Last summer's events - devaluation, domestic debt default and banking sector collapse -- were traumatic for most Russians. Living standards, including real wages and pensions are down significantly.

- * Banking system is in shambles, limiting growth. Risk factors still extremely high, reducing potential foreign investment.

- * Still, recent economic performance notable. Inflation running at 2% per month (projected to be 50% for 1999), Ruble devaluation has fostered import substitution, boosting Russian industrial production by 13% over last year and greatly improving Russia's trade balance.

- * Results show that market processes do work in Russia. Barter has also been reduced; more competitive firms are choosing to operate in cash. Overall share of barter in economy down to around 45% from 60% last summer, according to official estimates.

- * Obviously, there is far more work to be done. Administration pushing ambitious agenda to reduce even further nuclear threat. Committed to supporting economic reforms in Russia in part by encouraging it to stay engaged with the IMF, World Bank, and other international organizations.

- * Shouldn't fool ourselves that transition inside Russia or dramatic changes in our relationship will follow straightforward progression. Russia's transition will be measured in decades, if not generations. Important to avoid creating self-fulfilling prophecy that Russia is doomed to fail.

Why did the Administration keep pouring money into Russia and pushing for IMF loans, knowing that it was being siphoned off by a corrupt few?

- * First, we need to be clear about purpose of assistance from U.S. and international financial institutions: it was and remains to advance reforms that promote openness, competition, economic prosperity, and the rule of law.

- * U.S. assistance was not provided as cash, but as technical assistance and

training on issues such tax reform, commercial law, development of an independent judiciary, small business development, private ownership of property. These are difficult issues, there are no "complete" successes, but important foundations have been laid.

- * The IMF and World Bank lend to Russia on the basis of specific reforms negotiated between the Russian government and these institutions. These reforms require transitional steps; no society remodels itself overnight.

- * When Russian economic reform lagged, IMF withheld support, delayed disbursements or reduced funding.

- * While all of us would prefer to see Russia further along in its transition, the international support provided to Russia has been an essential part of helping Russia take difficult internal steps to restructure itself.

- * We have consistently insisted on transparency and accountability in our bilateral and multilateral dealings with Russia. When problems have been raised, we have insisted on full and complete investigations. We will continue to insist on such transparency.

If Russia needed help to achieve an historic breakthrough, shouldn't the West have done more?

- * International community has contributed over \$120B to Russia in various forms of assistance during the transition period. International commitment to support Russia's transition has been extensive.

- * Also need to recognize that the ultimate success of any assistance lies with the policies adopted by its recipient. Russia's difficulties did not stem from insufficient aid, but from difficulties forming an internal consensus around the policies, laws and institutions needed to create a prosperous, open, and competitive economy.

- * Progress made in mid1997 toward developing a tax code, new investment legislation and encouraging small business development was indicative of what can

be achieved when there is political consensus inside Russia about the way forward.

- * That progress fell off track when internal political struggles, the international financial crisis and a collapse in oil prices overwhelmed the forces for reform. It was a reasonable risk to continue to support Russia's reform agenda even under difficult circumstances, but it also demonstrated that we cannot create success from the outside.

- * The solution is not to abandon Russia, but to embrace a realistic program of international support for practical and tangible reforms. This approach has encouraged Russia to pursue stabilizing policies over the past year and create the prospect for deeper reforms, including at grassroots level.

Wasn't "shock therapy" a mistake?

- * The term "shock therapy" carries too much baggage to allow a useful discussion of the issues.

- * Key point is that any government, whether modeled on Sweden or the United States, has to perform basic functions in order to be viable. Governments must encourage investment, promote macroeconomic stability, collect taxes, meet their commitments.

- * The faster a transition economy can stabilize itself and address these functions, the faster it can meet its obligations to its people, create jobs and promote prosperity.

- * The early debate with Russia was over what steps would need to be taken to stabilize the situation, encourage economic activity and allow Russia's government to function.

- * "Shock therapy" often portrayed as liberalizing prices and trade and cutting subsidies and budget deficits without any additional legal and institutional reforms. That is not the policy we pursued. Nor did we advocate a policy that ignores social needs.

- * Russia had to make choices about how to deal with the social costs of transition. In retrospect, some of these choices were costly to the Russian people. When Russia chose to continue providing social subsidies through industry, it could not afford to implement an efficient, targeted social safety net. This caused great social pain.

- * Clearly there is a tension between the risks of trying to do too much, too soon and those of doing too little, too late. Shouldn't overlook political turbulence throughout post-Soviet period. That made it harder to fine-tune pace and sequencing of reforms. Russian government acted when it had political windows of opportunity, not by following text-book prescriptions.

How does the Administration respond to critics of privatization who claim that the U.S. sponsored a great rip-off of Russia? Shouldn't we have encouraged Russia to put in place a market and legal infrastructure first?

- * Neither Administration nor international community ignored need to create legal infrastructure for market economy and fair, transparent privatization. That was one of our highest priorities from earliest stage of transition, was key focus of assistance programs.

- * Needed to pursue privatization and development of market infrastructure in parallel.

- * We need to put this in perspective. In 1991, Russia had virtually no private property. The state controlled virtually all means of production and distribution from the corner store to defense monoliths.

- * Under these conditions, a market economy simply could not develop. When reformers first came into power, they simply had no choice but to create private property if they wanted to give Russia a chance to get beyond its communist inheritance and create a market based society.

- * Ideally, all the laws, regulations, and institutions that are needed for a market economy would have been created before the privatization process began.

Given seven decades of Communism, Russia's parliament and most of its people had little understanding of what that meant.

- * It would have been years before the privatization process would have begun if the ideal market infrastructure had been made a precondition for privatization. Despite the risks in moving forward with privatization, Russia's leaders felt it was a greater risk to squander the opportunity before them.

- * Leaving enterprises in the control of corrupt government managers whose incentives were to strip assets and preserve subsidies would not have led to better economic performance.

- * Administration and IFIs put great effort into strengthening market and legal infrastructure beginning in 1992. For example, World Bank loans focused on institutional reforms to improve competitiveness, transparency and openness of markets.

- * Other Bank projects supported development of commercial banking system, restructuring of privatized enterprises, legal reform, and capital markets development.

- * World Bank loans also promoted competition in monopolized sectors, better accounting standards and investor rights, land and mortgage reform, tax reform, and reform of bankruptcy regime to encourage restructuring.

- * US bilateral programs also supported development of market infrastructure. Key priority has been reform of Russian tax system. Also helped install regulatory framework for capital markets, including establishment of Securities and Exchange Commission, national stock registry, Russian stock trading system, and a self-regulatory organization for market participants.

- * Have also assisted development of key commercial laws, post-privatization activities such as enterprise restructuring. All in all, from 1992-96, the US provided over \$185m in assistance for the development of market infrastructure.

- * In short, privatization and infrastructure of market economy have to develop simultaneously, but it is inevitable that the creation of the latter will take

longer than shifting prosperity from the state to the private sector. Such delays inevitably dampened the positive economic effects of Russia's privatization program. Not the case, however, that Western donors ignored importance of such reforms or failed to support them.

Did the Administration support the "loans for shares" scheme?

* We and the IMF were concerned about the loan for shares scheme, including non-transparent structure of the scheme. The loans for shares scheme was not supported by any multilateral assistance program or by our own bilateral assistance. Russia undertook this program on its own.

* The loans for shares scheme also took place after the U.S. and internationally financed aspects of the Russian privatization program were completed.

* The fact that there was no international support for this scheme is indicative of our concerns for transparency. We have consistently made our concerns clear to the Russian government, and we have consistently urged that privatization of large enterprises be completed through open and competitive processes.

Is it true that the Administration has blindly supported Yeltsin and his inner circle at the expense of other goals?

* Our focus has consistently been on policies we want to achieve because they serve U.S. interests: reducing nuclear arsenals, advancing market reform and democracy, promoting the rule of law, encouraging regional stability and cooperation, supporting Russia's integration into the international community.

* To advance these goals, we must engage the Russian government. President Yeltsin is key to this process, as have been the members of his government. Even as Russian governments change, our focus on our key policy objectives will remain.

* Russia's parliament, its regional leadership and the nongovernmental sector also play key roles. That is why approximately three-quarters of U.S. assistance

to Russia goes outside of Moscow, and why we have encouraged the development of Russian civil society.

* Inevitably, political forces outside of the federal government have taken time to find their footing. As they have, we have engaged them and encouraged broad-based democratic trends. Our ability now to engage with a broader spectrum of Russian society reflects both Russia's own evolution and our own determination to encourage a strong civil society.

Isn't the real goal of U.S. policy to keep Russia weak and poor so that we could pursue our own interests abroad?

* A basic premise of our policy is that the more prosperous Russia is the more stable it will be at home and the more cooperative it will be abroad. We will continue to seek ways to enhance our own security by encouraging change that enhances Russia's security.

* Think of the converse: a financially unstable Russia denies us a huge untapped market, promotes regional instability, increases the proliferation threat, and engenders insecurities that complicates arms control negotiations.

If Boris Yeltsin takes unconstitutional measures to remain in power, will the U.S. continue to support him?

* See no basis for speculating about a hypothetical situation. Yeltsin has said publicly that he intends to serve out his term as president, oversee free and fair elections, and transfer power to a popularly elected successor.

* Upcoming elections will be another key test of how far Russia has progressed in assembling the building blocks of more open, democratic state, and the international community will be watching closely.

Is it true that Vice President Gore ignored intelligence reports about corruption involving Chernomyrdin and other high-level Russian officials? Why has

Administration closed its eyes?

- * Do not and will not comment on intelligence reports.

- * Will state unequivocally that there is a problem of crime and corruption in Russia, and we are addressing it seriously with Russia's leadership and law enforcement officials.

- * Vice President Gore has strong and long-standing commitment to reducing this problem and uses our Binational Commission, which he co-chairs, to advance programs that combat crime and corruption. The Vice President took a proactive role encouraging high-level Russian participation in February anti-corruption conference.

- * Have worked closely with Russians to develop programs - with participation of U.S. law enforcement -- that support their efforts to tackle crime and corruption. Have also made clear to Russians steps they can take to join international efforts against money laundering.

- * U.S. and Russian law enforcement officials working together more closely on specific cases. Have also stepped up work with Russia to promote rule of law. Ultimately, rule of law and battle against corruption fundamental to Russia's future as democratic state and market economy and will continue to be top priority in our relationship.

What is the fallout from the NATO bombing of Serbia in Russia? Can the U.S.-Russian relationship recover?

- * Kosovo conflict posed serious test to our relationship with Russia, but as our Presidents agreed, we've passed that test and our relationship is now strengthening.

- * Presidents Yeltsin and Clinton set an ambitious agenda for next phase in U.S.-Russian relations at recent meeting in Cologne. On basis of that agenda, we're moving to advance cooperation in key areas such as non-proliferation, economics, and arms control.

* Our soldiers are working side by side in Kosovo with Russian military in KFOR, just as they have in Bosnia. Believe that by working together, U.S. and Russia can be important force for peace and reconciliation in Balkans.

Isn't it true that Russia is creating big proliferation headaches for us by transferring WMD and ballistic missile technology to countries like Iran? How can the Administration let Russia get away with it?

* Nonproliferation remains at the top of the U.S. agenda with Russia. Coming to grips with this problem is vital to our national security, the security of Israel and that of other friends in the Middle East.

* In recent weeks, Russians have put in place a tough new nonproliferation policy, created institutional foundations to implement that policy, and passed laws to punish wrongdoers. Key steps include:

* Pushing new export control legislation through the Duma and Federation Council. Legislation tightens Russia's control over sensitive technologies, provides for criminal penalties against violators.

* Directing Russian agencies to implement a work plan designed in cooperation with U.S. and aimed at a number of our most pressing concerns.

* Working with U.S. experts to strengthen export control systems at Russian aerospace companies.

* Challenge now is to build on these foundations to ensure that dangerous technology transfers stop. Russian law enforcement agencies and security services need to show that export control system is working. Administration's activism on this issue will not diminish.

* Have used two key tools: (1) Targeted penalties against specific firms; used these against 10 entities; (2) Withholding increase of commercial space launch quota until we saw progress.

* Administration recently decided, on basis of recent Russian actions, to approve incremental increase of four launches, raising quota from 16 to 20.

* Would sustain commercial space cooperation for several months -- long enough to evaluate effectiveness of renewed Russian nonproliferation effort and determine future of US-Russian commercial space cooperation. Keeps thousands of high-tech engineers and scientists from selling talents elsewhere.

* Also making clear that future expansion of commercial space cooperation will depend on Russia using these new tools to crack down on missile cooperation with Iran. This maintains leverage on Russians. Also stand ready to apply tough penalties against additional violators.

Shouldn't the U.S. be doing more to help the Russians control their arsenal of WMD materials? Isn't the most important security challenge facing us?

* Administration working hard to build on threat reduction programs known as Nunn-Lugar. In aftermath of Russian economic crisis, President directed a two-thirds increase over five years (\$4.5 billion total through 2004; \$1 billion in FY2000) for threat reduction programs.

* Initiative would help deactivate and store more warheads, secure and dispose of additional fissile material, tighten export controls, assist in the destruction of chemical weapons and the facilities which had produced them, and support civilian research activities for former Soviet weapons scientists.

* We are also actively working with allies and other nations to encourage additional contributions.

* Unfortunately, the House and Senate have, respectively, slashed the President's request for overall NIS assistance programs in State Department's budget by \$252-307 million.

* The cuts in funding from the State budget are particularly serious in FY2000. They preclude us from tightening Russia's control over its technologies, engaging its scientists, and addressing costs associated with Russian troop withdrawals from Georgia and Moldova.

* Congress did not specify how to apply its cuts, its intent clearly being to force the Administration to make unacceptable tradeoffs between support for NIS reforms (e.g. exchanges, civil society, rule of law) and threat reduction activities.

Why is the U.S. pursuing a National Missile Defense and modifications to the ABM

Treaty? Won't this undermine Russian confidence in strategic arms control and create fears about their deterrent?

- * Administration is committed to addressing danger that rogue nations may develop and field long-range missiles capable of delivering weapons of mass destruction against the United States. NMD is part of the approach to guarding against this emerging threat.

- * President has not made any decisions about NMD deployment. Such decision will be made next summer, at earliest, when we review results of flight tests and other developmental efforts, consider cost estimates, and evaluate threat.

- * Administration -- and recently passed National Missile Defense Act -- make clear that missile defense policy must take into account our arms control and nuclear nonproliferation objectives. Any decision to deploy an NMD also will be subject to annual authorization and appropriations process.

- * Administration keenly aware that NMD issue has importance for U.S.-Russian relationship. We will continue to work closely with Russians to achieve further reductions under START III and to negotiate any amendments to ABM Treaty that may be required to accommodate a possible NMD deployment.

- * Would point out that John Holum just completed important discussions with Russians on START III and ABM Treaty. Discussions were follow-up from agreement between Presidents Clinton and Yeltsin in Cologne.

- * Discussions in Moscow signal a new determination to make progress on both START III and ABM, which is in both our countries' interest.

- * We exchanged views regarding START III, and reaffirmed readiness to begin negotiations on this Treaty immediately following ratification of START II. Both U.S. and Russia also Reaffirmed our desire to make every possible effort toward early ratification of START II and its entry into force. Also exchanged views on ABM Treaty.

POTUS TRIP TO CANADA
September 3, 1999

CONTEXT: On August 11, we announced that President Clinton accepted an invitation from Prime Minister Chretien to hold a working visit in Canada on October 8 to discuss bilateral and global issues of mutual interest.

Any more details on the President's October trip to Canada?

- * The trip is expected to begin in Ottawa and to feature dedication of our new embassy building there as well as a bilateral meeting with Prime Minister Chretien.
- * President Clinton is going to address a federalism conference that will take place in Mont-Tremblant, Quebec.

EAST TIMOR
September 3, 1999

What's your assessment of the situation in East Timor?

- * East Timorese showed courage and faith in democracy by turning out in large numbers (over 90 percent) on August 30 to cast votes either for or against autonomy within Indonesia.
- * Successful ballot is important first step in determining East Timor's future.
- * UN expected to announce results as soon as September 4 Indonesia time.
- * Appreciate Indonesia's efforts to maintain a secure environment on voting day, August 30.

- * Deeply concerned by continued violence.
- * Responsibility rests with Indonesian authorities to maintain security.
- * Immediate steps must be taken to improve security, control the militias responsible for most of the violence.

What about sending a peacekeeping force?

- * The UNSC has already voted (last August 27) to enhance the UN presence during the post-ballot period.
- * More civilian police and Military Liaison officers will be sent. US will contribute but exact levels not decided.
- * Discussion is on-going in the UN and with the Indonesians on whether a peacekeeping type of UN presence might be needed in East Timor.
- * In the interim, the Indonesians are responsible for security under the terms of their agreement with UN.

Didn't the Government of Indonesia request a UN peacekeeping force?

BACKGROUND: Before a UN Chapter VI peacekeeping force can be deployed to any country, that country must consent to the presence of the force and to its mandate. The Government of Indonesia did not consent to a UN peacekeeping force for Phase 1 (pre-ballot) or Phase 2 (current phase) of the UN operations. They only agreed to an unarmed UN presence of civilian police officers and some military liaison officers, in addition to ballot monitors. That is why Indonesia has remained responsible for public security so far. Should there be a Phase 3 transition to independence, a peacekeeping force may be necessary to maintain security. Indonesian authorities have recently indicated their willingness to discuss a PKO to deploy after independence is granted by the new Parliament to be seated in October.

- * The Indonesian authorities have made statements indicating support for a peacekeeping force after the Indonesian parliament grants independence to East Timor.
- * We expect there would be no parliamentary action until after it is seated this October.
- * We continue, of course, to monitor the situation carefully and are constantly evaluating options, including a PKO.
- * Emphasize that at this point, responsibility for security rests with Indonesia.

CHINESE EMBASSY BOMBING IN BELGRADE

September 1, 1999

PROPERTY PAYMENTS

CONTEXT: The US and China held discussions on August 30-31 concerning property payments for damage done by NATO bombs to the Chinese embassy in Belgrade and damage done to US diplomatic property in China during the demonstrations over the ensuing days.

Have the US and China held property settlement talks? If so, do these cover damage both to Chinese property in Belgrade and to US property in China?

* The US and China held property talks on 30-31 August in Beijing. Separate negotiations covered damage done to the Chinese embassy in Belgrade and to US diplomatic property in China.

Did these talks reach a conclusion?

* The talks made progress, and another round of talks will be scheduled.

HUMANITARIAN PAYMENTS

CONTEXT: The US agreed on July 30 to provide \$4.5 million in humanitarian payments for deaths, injuries, and losses suffered by Chinese individuals in the accidental bombing of the Chinese embassy in Belgrade in May.

Has the U.S. actually paid the \$4.5 million it committed to the Chinese?

* Yes. This payment was made in full on August 25 to a Chinese government account. The Chinese government will then pay the sums due to each recipient. The Chinese government has agreed to make these payments promptly and will provide full documentation of these transactions.

Does this payment set a precedent? Does it leave any residual liability?

* The payment does not set a precedent. It was offered voluntarily, and the USG has not accepted any liability.

* China has agreed that the payment constitutes a "full and final settlement" of all humanitarian claims growing out of the embassy bombing.

If there was no liability, why did the US agree to make this payment?

* The payment reflects the unique and compelling circumstances present in the accidental bombing attack.

How much will each recipient receive?

* Questions on specific amounts should be addressed to the Chinese government.

CHINA WTO
September 2, 1999

RESUMPTION OF CHINA WTO NEGOTIATIONS

Have the United States and China agreed to re-start negotiations for China's entry into the WTO this year?

* We believe China's entry into the WTO on strong commercial terms is in the long term interests of China and the United States.

* We haven't met in five months. A stock-taking is in order. As such, we have tentatively agreed that a review at the expert level will occur next week, most likely in Beijing or possibly in Auckland.

Will there be a WTO announcement when Jiang and Clinton meet at APEC (on 11 September)?

* WTO will very likely be a topic of discussion, but cannot predict beyond that. It is our hope to move discussions forward.

* We would hope that we could, at a minimum, agree on resumption of negotiations at that time.

What is the Chinese position on resuming talks?

* I would not characterize the Chinese position. Best ask them.

ITC REPORT ON IMPACT OF CHINA WTO ACCESSION ON U.S. ECONOMY

Why does the Administration plan to withhold an ITC report on a China WTO agreement?

* Ambassador Barshefsky has stated that she wants the report to be made public.

USTR is reviewing to ensure that there is nothing in the report the disclosure of which would prejudice the U.S. negotiating position with the Chinese.

Background Talking Points

1. Direction to release the report was made Wednesday (9/1/99) by letter from USTR General Counsel Robert Novick to the ITC Thursday (9/2/99).
2. USTR received the report late Monday (8/31/99).
3. The Executive Summary could be available from the ITC as early as September 2.
4. The balance of the report (approx. 250 pages) could be available within a couple of days.
5. The original Confidential report will be transmitted to all cleared advisors and Members of Congress.

Why was it classified in the first place?

* It is standard procedure, and in the national interest, to classify ITC reports concerning on-going negotiations. They tend to contain sensitive economic or national security information that could impact on-going negotiations.

* The report is available to Members of Congress.

Why did the Administration delay the ITC report analyzing a China WTO deal?

* There has been no delay. USTR requested a comprehensive analysis in December, 1998, when negotiations between the U.S. and China appeared to be advancing in earnest.

* As the negotiations progressed, and as some elements of a possible agreement became apparent, USTR provided such information to the ITC, and provided additional time required by the ITC for further evaluation.

Is the Administration trying to hide something?

* No. Any agreement this Administration concludes with China will be clearly in America's national interest. We want Congress, and the American public, to have full information on such an agreement.

* But we do not yet have an agreement, and our interest and objective is to conclude the best agreement possible (not to adversely affect on going negotiations).

MEPP: ISRAELI-PALESTINIAN AGREEMENT
September 3, 1999

THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release September 3, 1999

STATEMENT BY THE PRESIDENT

I am extremely pleased that the leaders of Israel and the PLO have reached an agreement that will allow them to resume implementation of the Wye River Accords and re-start permanent status talks on an accelerated basis. I congratulate the two leaders for their vision in seizing this opportunity. It shows that when both sides are willing to work together, their fundamental requirements can be met, confidence can be built and the process can move forward.

I thank the Egyptian government, especially my good friend President Hosni Mubarak, for helping to facilitate the agreement. I am grateful to Secretary of State Albright and her team. Their personal involvement made the difference in helping the two sides to bridge remaining gaps and reach consensus.

This truly is a new beginning. A lasting, just and comprehensive peace in the Middle East is now a step closer. The Israelis and Palestinians are doing their part to bring it about. We must do ours. Today, I call on the Congress to fund fully the commitments we made when the Wye Accords were first signed.

30-30-30

COMPEHENSIVE NUCLEAR TEST BAN TREATY

September 1, 1999

CONTEXT: On July 20, President Clinton made a statement calling for the Senate to give its advice and consent to the Comprehensive Nuclear Test Ban (CTBT) Treaty. A bipartisan group of nine Senators is scheduled to hold a press conference this afternoon in support of Senate action on CTBT. President Clinton was the first world leader to sign the CTBT in September, 1996; 152 nations have now signed, and 41 have ratified. The Treaty was sent to the Senate for approval in September, 1997 - almost two years ago - but is still pending a hearing in the Senate Foreign Relations Committee. Chairman Helms has said he will not schedule hearings on the CTBT until the Administration submits the Kyoto Protocol and 1997 agreements on the ABM Treaty to his committee for advice and consent. The Treaty will only enter into force 180 days after it has been ratified by the 44 states listed in an annex to the Treaty. The U.S. is one of those 44 states.

POLICY

- * U.S. is committed to the early entry into force of the CTBT.

- * In his July 20 statement, the President said that "at a minimum, the Senate Foreign Relations Committee should hold hearings this fall" to allow each side to make its case and allow the Senate to decide this matter on the merits.

Why is the Administration making a big push on this treaty now?

- * The President said again last Wednesday that ending nuclear testing was one of his top foreign policy goals, since the beginning of his administration. The President signed the Treaty in September '96 and listed it in the State of the Union as important to our national security interests.

- * Treaty's importance has recently been highlighted by fighting in Kashmir, where tensions between two states with nuclear weapons capabilities rose, threatening our interests.

- * Concerns over nuclear espionage have led many to draw the right conclusion that this Treaty can constrain states from developing advanced nuclear weapons capabilities.

- * A conference of states that have ratified the Treaty will take place this October if the Treaty has not entered into force; for the United States to be a full participant at that conference, we need to ratify ourselves.

- * Finally, the American public overwhelmingly supports ratification.

What about Senator Helms' demand that you first submit the Kyoto Treaty and certain ABM and START-related accords?

- * We have made our position on Kyoto clear: we will not submit that Treaty until developing nations have agreed to meaningful participation in this important environmental regime.

- * With respect to the ABM agreements, the President has made clear that he will submit that package as soon as the Russian Duma ratifies the START II Treaty, a goal to which President Yeltsin recommitted himself earlier this month.

- * The Senate should consider CTBT on its own and on its merits.

What will happen if the Treaty remains stalled in the Foreign Relations Committee?

- * The U.S. leadership role in the world on arms control and nonproliferation issues will be weakened, and we will miss an opportunity to enhance our own national security.

Are you confident we can maintain a reliable nuclear deterrent absent actual nuclear tests?

* Yes.

* The Secretaries of Defense and Energy - supported by the Directors of the National Weapons Laboratories, the Commander in Chief, United States Strategic Command, and the Nuclear Weapons Council - have certified for the past three years that nuclear tests are not required, and that our program of stockpile stewardship is working to maintain our deterrent in the absence of nuclear testing.

Some say that the Cox report shows that you should actually be developing new nuclear weapons to stay ahead of proliferators.

* Believe the concerns over nuclear espionage discussed in the Cox report have led many to draw the right conclusion that the CTBT can constrain states such as China and others from developing more advanced nuclear weapons capabilities.

* The report itself notes that testing in violation of the CTBT could further accelerate China's nuclear development. Thus, it is in our interest to bring CTBT, which China has signed, but not ratified, into force.

* More broadly, the United States today maintains a nuclear deterrent second to none; CTBT, combined with our stockpile stewardship program, will preserve, not preclude, our maintaining this position.

STATE DEPARTMENT PRESS GUIDANCE
ON COMPREHENSIVE NUCLEAR TEST BAN TREATY RATIFICATION
August 30, 1999

CONTEXT: President Clinton signed the CTBT in September 1996 and transmitted it for the Senate's advice and consent in September 1997, but Senate Foreign

Relations Committee hearings have not been scheduled yet. The New York Times article focused on strategies to break this impasse, including generating public pressure to consider the Treaty, blocking other Senate business until an agreement is reached to hold hearings and a vote, and making enough progress on START and ABM issues to move the CTBT forward. The article included criticisms of Administration passivity and promises that senior officials will push the Treaty more publicly in the coming weeks.

Why is prompt Senate approval of the CTBT important? How does the Administration plan to address conditions by Senate Republicans and Russia on CTBT? What is our view of Senator helms' position of dealing with global warming and START/ABM-related agreements first? In what way will the Secretary "push" the Treaty more publicly? What's the status of START III and meetings scheduled in Washington with Dep Sec Talbott on September 17?

* CTBT ratification is a top priority for this Administration, as President Clinton underscored in his July 20 Rose Garden Address. As the President has said, it is the longest-sought, hardest-fought prize in arms control history. It is the unanimous judgment of our national security team that the CTBT will further reduce the nuclear threat to the United States, and to our friends and allies.

* The CTBT has been signed by 152 states and ratified by 43, including France, Britain and many other close allies. But the Treaty cannot take effect until it has been ratified by 44 specific states, including the U.S. and the other nuclear weapon states.

* At the Cologne Summit in June, Presidents Clinton and Yeltsin agreed to begin discussions on START III and the ABM Treaty and the Russians gave assurances that they will seek START II ratification this fall. At the first such discussion, held in Moscow on August 17-19, both sides reaffirmed their desire to speed START II ratification and to begin START III negotiations immediately thereafter. They discussed general approaches to ensuring the viability and effectiveness of the ABM Treaty. We look forward to future meetings on these issues.

IF ASKED:

* We fully respect the prerogatives of the Chairman of the Foreign Relations Committee and in no way question the sincerity of his convictions. But the national security is best served by a free and open debate on the merits of the CTBT, for which SFRC hearings are essential.