

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Janet L. Yellen (CN=Janet L. Yellen/OU=CEA/O=EOP [CEA])

CREATION DATE/TIME: 3-DEC-1997 19:29:56.00

SUBJECT: Memos - tight timeline

TO: Rebecca M. Blank (CN=Rebecca M. Blank/OU=CEA/O=EOP @ EOP [CEA])

READ:UNKNOWN

TEXT:

----- Forwarded by Janet L. Yellen/CEA/EOP on 12/03/97
07:29 PM -----

Robert M. Shireman
12/03/97 05:33:40 PM
Record Type: Record

To: See the distribution list at the bottom of this message

cc:

Subject: Memos - tight timeline

Attached are memos that are being faxed out now on both the Hispanic Action plan, and the College-School Early Intervention partnerships (also known as "mentoring" or "Fattah-plus"). They ask for comment by noon tomorrow because they will be going to the President by COB tomorrow.

Message Sent

To:

William H. White Jr./WHO/EOP
Michael Cohen/OPD/EOP
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Janet Murguia/WHO/EOP
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Sylvia M. Mathews/WHO/EOP
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===== ATTACHMENT 1 =====
ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:

Unable to convert ARMS_EXT:[ATTACH.D49]MAIL420907635.316 to ASCII,
The following is a HEX DUMP:

December 3, 1997

MEMORANDUM TO: SECRETARY RILEY
DIRECTOR RAINES
BRUCE REED

FROM: GENE SPERLING
BOB SHIREMAN

RE: MENTORING INITIATIVE

The attached draft memorandum follows up on the principals meeting of October 14, and the consultation and analysis that has gone on since that time.

A final memo will go into the President by COB tomorrow, so I need your changes and recommendations, if any, ***by noon tomorrow, Thursday, December 4.*** Please get your changes to Bob Shireman by fax (456-2223) or e-mail and call him (456-2803) to make sure he has received them.

CC: Mr. Bowles
Secretary Rubin
Dr. Yellen
Ms. Mathews
Mr. Podesta
Mr. Klain
Mr. Hilley
Acting Deputy Secretary Smith
Mr. Lew
Ms. Kagan
Ms. Winston
Mr. Cohen
Mr. Shireman

MEMORANDUM TO THE PRESIDENT

RE: COLLEGE-SCHOOL EARLY INTERVENTION INITIATIVE

In preparation for the budget decisions that will need to be made in the next few weeks, this memorandum is intended to provide you with a status report on the development of a possible college-school early intervention initiative, and an opportunity for you to provide direction to our continuing efforts. In order to move forward on the budget, there are three issues that need to be settled: (1) the basic parameters of the early intervention programs, (2) the issue of early notification (the "guarantee" of aid), and, of course, (3) funding.

With the approach described in this memo, you would be able to announce a new 21st Century Scholars program that would:

- Provide families at high-poverty middle schools (and possibly others as well) with an official notification of the \$20,000 or more that is available for their children to go to college; and,
- Through colleges and other partners, provide intensive, long-term early intervention and support services to 250,000 new children each year (at 2200 high-poverty schools) -- 1.5 million children over six years.

Background

As you remember, this initiative began with your interest in the "21st Century Scholars Act" by Rep. Chaka Fattah. This legislation, which continues to garner significant support, including some Republicans, would guarantee sixth graders at high-poverty schools a maximum Pell Grant when they got to college; send a notice to them annually from the Secretary of Education reminding them of the availability of aid; and make them automatically eligible for the counseling, academic support, and other services provided by TRIO programs (such as Upward Bound) in high school and college.

Working with OMB and Education, we analyzed the specifics of the Fattah approach and found a number of problems: higher-than-expected costs and inefficiencies; inequities and perverse incentives; and the difficult issue of a new entitlement. Most important, the research on early intervention programs indicated that in order for them to be successful, it is *critical* that mentoring, counseling and tutoring be provided to students. Simply making them eligible for TRIO is not enough. As you know, Rep. Fattah is aware of these concerns and is flexible on the design of a program.

We felt strongly that the Administration needed a strong early intervention initiative that goes well beyond a notification about financial aid. Research demonstrates that programs that start early and are sustained for a number of years are effective. For example, in the rigorously-evaluated Quantum Opportunities Program, 42 percent of the participants attended college, compared to 16 percent in the control group. To have a significant impact on college enrollment of disadvantaged youth, it is clear that we need a full-fledged early intervention program.

Our idea is to center this effort on colleges reaching out to high poverty schools. College involvement is critical for a number of reasons. First, this approach creates an ethic of responsibility: it reminds colleges that they are responsible for helping to build a pool of disadvantaged youth -- disproportionately minorities -- who are well-prepared for college. Second, if college is to be the goal that sixth graders see, they need to have some connection to the institution. Third, colleges are best able to tell students -- and the schools they attend -- what types of courses and skills they need to succeed. Indeed, an ancillary benefit of this approach should be higher standards.¹ And finally, a stable, long-term institution needs to be there to ensure the quality and staying power of a program like this one.

In October, principals discussed options (DPC, Education, PIR, COS, and OLA were represented). At that meeting, there was strong support for the concept of Federal aid to partnerships between colleges and needy schools, to provide sixth graders with mentoring and other support that would be sustained through high school graduation. There was also strong support for getting early information to families about the availability of Federal financial aid

¹In fact, in response to our consultations on this issue, we already have a proposal from colleges in the California State University system for an early intervention program that would focus on math as the gateway to college.

for college. But there was concern about any new entitlement to aid: first, it creates budget complications, both politically and practically; second, it creates the impression that the current programs are not secure -- contrary to the "universal access" message that we are sending in the wake of victories on HOPE and Pell.

Since the principals meeting, we have accelerated our consultations and research. I have spoken with more than 200 college presidents, both individually and in groups, and the response has been quite positive. Many of them have provided examples of their own efforts to tap into K-12 schools to recruit and offer help early. Education is reviewing all of the research literature, and with my staff has carried out an effort to identify model programs with the characteristics that we discussed at the principals meeting. Both Mike Smith and I have spoken with Eugene Lang, founder of the "I Have a Dream" program, and he agrees that we are on the right track. Even though he is best known for his promise of aid to Harlem sixth graders, he feels strongly that the early and sustained *support services* are the most important determinant of a successful program (and he agrees with the need for college involvement).

Basic Parameters of the College-School Partnerships

Some of the colleges with whom we have consulted want the program to very flexible, to incorporate a wide variety of program models. But we have pressed that while we support flexibility, there needs to be a vision -- some common elements that give the proposal an identity that will propel it to success both legislatively and, ultimately, programmatically. We recommend the following core components:

Whole Classes/Cohorts at High-Poverty Schools. Programs must start providing services to *all* of the children in a grade, class, or school. Many programs focus on students who have been pre-judged to have college "potential." But middle school is too early to rule anyone out. In addition, a whole-class approach is more likely to involve the *school* (rather than just the students) in a way that will bring about improvements in the curriculum.

College as a Goal. The programs must hold out college as a primary goal. Special consideration would be given to partnerships that guarantee enrollment in a college for participating students who reach particular milestones, and/or for programs that guarantee additional financial aid to cover the full costs of the college.

Start Early and Stay with Kids through High School. Students should begin in the program *not later than* the seventh grade. The program must continue to provide services through high school graduation (or at least for six years). (There will be some attrition due to dropping out of school or of the program, moving out, or participating in another program.)

An Intensive Element. Programs must provide intensive assistance to students at least during some part

of the program (cost estimates assume that this happens in the first year). For example, this may be a residential summer component at a college.

Community Involvement. Community organizations and businesses should be tapped to offer mentors, guarantees of additional financial aid in exchange for student performance, exposure to careers, and other support.

Note on relationship to TRIO programs. Some colleges already have Federal TRIO grants with some of the above characteristics, and/or they have other similar programs. The largest Federal investment, Upward Bound, provides counseling and intensive academic support to *selected* disadvantaged high school students who show aptitude for college. The Talent Search program provides a one-shot program of early information about college to middle school students. Those programs do not come close to addressing all of the need, so there would not normally be a problem with them duplicating some part of this new program. Applicants for the college-school partnership funds would have to describe how their existing early intervention programs would be coordinated with the new program. It is expected that some partnerships would apply for the new grants to extend and expand their programs, so that Upward Bound, for example, could essentially create a grade 4-10 feeder program, and Talent Search could add a more intensive component with follow-up during the high school years. Others might simply focus on high-poverty schools where the students are not being served by any current program.

Early Notification/Guarantee

The early intervention effort would be joined with Rep. Chaka Fattah's concept of providing children and their families with **early, official notification** of their eligibility for college financial aid. Because of the combination of student loans, Pell Grants, and HOPE Scholarships, virtually everyone is eligible for at least \$20,000 of aid for four years of college. While a legally enforceable "guarantee" to Pell Grants six years in the future has too many problems, we can still adopt the basic concept by making a firm statement about college aid generally. (As with Federal pensions and some military benefits, the actual amounts would depend on the continuation of the programs.)

This would be part of the larger information campaign on access to higher education. While the focus would be on getting the notifications to families at the highest-poverty schools, we would not need to be that restrictive and could reach a larger number than the Fattah legislation proposes. It would not be unreasonable for us to have a goal of reaching a million students with information and an official notification (double the number that would have been reached by Fattah).

As already noted, we would encourage partnerships to supplement Federal aid with additional financial assistance and/or guaranteed admission to a particular college if the student takes the right classes and works hard.

Funding

We are discussing two possible approaches. The first would make a simple offer to colleges in a competitive program: tell us how you would use a grant of \$200,000 to \$1 million to create or expand partnerships with the characteristics outlined above. A \$300 million investment would fund 400 colleges, if the average grant size was \$750,000. They might have partnerships with up to 2000 schools, with 226,000 students (if only one grade level was being served at all of the schools). This would leave it up to the college to determine whether and how to add new cohorts. In providing grants, we would have the flexibility to take into consideration the institution's own resources, so that Ivy League schools would be expected to take most of the costs themselves, while a Tribally Controlled Community College would not.

The other approach would be tied more specifically to the need for an intensive start, and the cost of adding new cohorts of students each year. It would also require a growing local match. A \$300 million Federal investment in FY 1999 would allow us to serve 250,000 seventh graders through competitive grants to partnerships with 2200 high-poverty schools, assuming a 20 percent local match and a \$1,500 per participant cost. These funds would provide mentoring to about half of the schools and students that would have been provided the guarantee under Fattah (students at schools with poverty rate of 75 percent or greater). It is five times as many as are now served by Upward Bound.

The average per-student cost would be significantly lower (\$800) in the remaining years, but additional cohorts -- new groups of seventh graders -- would continue to be added each year until there is a full complement. If we assume that the local match can be increased by 10 percent with each new cohort, until the Federal government is covering only 30 percent of the cost, then (assuming some attrition) the funding would reach a steady state at \$619 million in FY 2004. (See line [a] on the table). *Over the six years, 1.5 million kids would be served.*

Federal Cost of Early Intervention Program (in millions of dollars)

	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06
a. Full	300	415	502	565	604	619		
b. Phase-in	150	339	430	534	595	632		
c. Smaller								

If we need to reduce FY 1999 appropriations requests, the best way to do so would be to phase in the number of partnerships over two or three years, rather than assuming that all of them would be established in the first year (line b). If the out-years are a problem, then we would need to reduce the total number of schools/partnerships that we are aiming for (line c).

Add at least \$30 million. The TRIO programs have a strong, organized constituency. We are working with the association on this proposal, and so far they are supportive. But they are concerned that our interest in this new proposal may weaken our resolve as far as increases for the TRIO programs. Therefore, it is critical that an increase of at least \$30 million be included in the Budget for TRIO if we move forward with the school-college mentoring partnerships.

Current program authorities and the question of a State role. We are currently assuming that this would be a new direct grant program from the Department of Education, probably part of our proposal for reauthorization of the Higher Education Act. Education is exploring a couple of current (unfunded) authorities to determine whether we could use one of them for this program. The benefit of doing so is that it makes it easier to get appropriations, because we don't have to wait for an authorization of a new program in order to get appropriations.

Some of the Committee leadership on the Hill and the student association are expected to pursue a state-based model, making use of a program authorized in 1992 called the National Early Intervention and State Scholarship Program. It is funded at \$3.2 million now and funds some useful models. Education opposes using this authority, however, because it would be more difficult to maintain a high-quality, highly targeted effort.

Next Steps

If you are comfortable with the general approach, then we will continue to draft the descriptions that will need to be included in the Budget, if funding is to be included. We will then continue to vet the idea, and will begin to develop a roll-out strategy.

Views and Recommendations

December 3, 1997

MEMORANDUM TO: SECRETARY RILEY
SECRETARY SHALALA
SECRETARY HERMAN
DIRECTOR RAINES
BRUCE REED

FROM: GENE SPERLING
BOB SHIREMAN

RE: HISPANIC EDUCATION INVESTMENTS AND ACTIONS

As you know, the President asked us to develop strategies for improving education opportunities for Hispanic Americans, particularly to reduce the dropout rate. All of you have contributed to this effort. The attached draft memorandum to the President lays out some of the actions we are prepared to take, as well as a proposal for investments in the FY 1999 Budget.

The possible investments will be compared against other requests, in the context of the budget process over the next two weeks. Please let me know *by noon tomorrow, Thursday, December 4*, if you have any suggested changes to the memo, or recommendations to add. Please focus particularly on the investments in section I. Please contact Bob Shireman at 456-2803.

CC:	Mr. Bowles	Acting Deputy Secretary Smith
	Dr. Yellen	Deputy Secretary Thurm
	Ms. Mathews	Deputy Secretary Higgins
	Mr. Podesta	Mr. Lew
	Ms. Murguia	Ms. Kagan
	Ms. Echaveste	Ms. Winston
	Mr. Ibarra	Mr. Cohen
	Mr. Klain	Mr. Shireman
	Mr. Hilley	Dr. Pompa

Ms. S. Brown

DRAFT MEMORANDUM TO THE PRESIDENT

This memorandum provides you with background on our efforts to improve educational opportunities for Hispanic Americans, and a possible further investment strategy for the FY 1999 Budget. Once budget decisions are made, we will have a comprehensive package of research-based recommendations, new investments, and administrative actions ready for an announcement. The announcement would include:

- a report on the Hispanic dropout problem by researchers named by Secretary Riley two years ago (in response to a request by Sen. Bingaman). The report includes advice for schools, families, and all levels of government, but does not include any new data;
- investments in programs that address the needs of Hispanic and LEP children;
- a list of administrative and other actions -- including a Conference on Staying in School -- that Education, Labor and HHS are taking to improve Federal programs so that they better serve the Hispanic (and LEP) community; and,
- the Secretary of Education's plan describing how current programs and our agenda of research, standards and testing, teacher training, and outreach address the needs of Hispanic and LEP children.

Section I of this memo describes the consultations that have taken place and the legislative and appropriations actions that we have already taken. Section II is a reminder of some of the planned or possible FY 1999 investments that are generally important for minorities, but are not explicitly part of the Hispanic plan. **Section III lays out a possible investment strategy for Hispanics and LEP children and families for the FY 1999 Budget.** Section IV describes the other actions that agencies would announce as part of the Hispanic Action Plan. Section V presents the views of your advisors.

I. Background

In response to your request that we look into the what we can do to address the Hispanic dropout rate and to generally improve the educational opportunities of Hispanic Americans, we set out to identify possible actions in three areas:

- Then-pending Administration initiatives and reauthorization proposals that could be improved in ways that benefit Latinos (for example, funding formulas that do not adequately take into consideration growth areas).
- Appropriation items in the FY98 Budget that have a disproportionate impact on the Latino population, so that we would be sure to take that into consideration in the continuing budget process.
- Additional administrative and legislative proposals that could be aimed at increasing Hispanic educational opportunities.

As a foundation for our efforts, we were able to use a report and recommendations released last year by the President's Advisory Commission on Educational Excellence for Hispanic Americans. We met with constituency groups, and held a series of meetings with Hispanic Caucus members and staff, where officials from Education, Labor, HHS, and USDA discussed their programs and some of the concerns and recommendations that have been raised. Most recently, we have been able to review the not-yet-released report of the Hispanic Dropout Project, by a group of researchers named by Secretary Riley at the suggestion of Senator Bingaman. We have also reviewed legislation proposed by Congressman Hinojosa and Senator Bingaman.

These efforts yielded results this year:

- We insisted that our **35% increase for Bilingual and Immigrant Education** be an explicit part of the Bipartisan Balanced Budget Agreement, a very exclusive list (only 13 items government-wide).
- The \$199 million in Bilingual Education **includes \$25 million for training teachers to help limited English proficient (LEP) kids**, a proposal that Republican appropriators fought last year. (Thank Delia for working with the appropriators this year to assure their support).
- We took another look at our **America Reads** legislation and added provisions to make doubly sure that States would have to make a particular effort to serve LEP children.

- Our proposal for **Adult Education** reauthorization -- a program that provides adult ESL -- includes a **new formula** that targets states with large numbers of LEP adults. (Unfortunately, no one in Congress is pushing the formula).
- We proposed and received an **11% increase for Hispanic-Serving Institutions** (HSIs).
- In a reversal from our position to eliminate the program a few years ago, we proposed and received a **small increase for HEP-CAMP** (migrant college support services and early intervention program).
- Other selected FY 1998 Appropriations that help Hispanics:
 - Job Corps**-- an effective program in which 70% of the participants are minorities -- got \$92 million increase (to \$1.246 billion). 30 Job Corps Centers teach ESL.
 - Youth Opportunity Areas**: \$250 million to the highest poverty areas to help out-of-school youth (age 16-24) become employable. (Currently six cities are funded. In NYC, 67% of those served are Hispanic; in Houston, 65%; in Los Angeles, 50%.)
 - \$1.4 billion increase in **Pell Grants** for low-income college students.
 - Obey's **Comprehensive School Reform** provides funds that will go to schools that need to be transformed -- first in line should be those with high dropout rates.

II. Generic Issues

It is important that our overall campaign for high standards and accountability remains to be seen as an important part of the answer for all children, *particularly* those who are at risk. For the announcement of the Hispanic Action Plan, Education has developed a document that describes how the key education programs work for Hispanic and LEP children.

There are also other new initiatives that have already been announced or are being considered that are oriented toward needs that have been identified in our work on Hispanic Education, including:

- **Teacher Training and Recruitment.** Your five-year, \$350 million teacher training and recruitment proposal is aimed at improving teacher preparation particularly for harder-to-serve populations, and recruiting more minority teachers.

- **Education Opportunity Zones.** This new investment is aimed at spurring and rewarding effective reform efforts in school districts that tend to be predominantly minorities.
- **College-School Early Intervention Partnerships.** This is a proven response to the dropout problem: it takes children at high-poverty schools by the seventh grade, delivers a firm message about college opportunity, and then provides them with support through to high school graduation. We consider this a major initiative that should be announced in a broader context.

III. Decision: Added Investments

For FY 1999, we recommend that you consider increasing funding in some key programs that are important to Latinos.

Investment (in millions):	FY 1998	Increase	FY 1999
Bilingual Education - Teacher Training	\$25	\$25	\$50
TRIO College Preparation Programs	\$530	\$30-70	\$560
Hispanic-Serving Institutions [non-add; already approved]	\$12	[\$16]	\$28
Adult Education - Model ESL Programs	n/a	\$20	\$20
Migrant Education Program	\$305	\$30-80	\$365
Migrant Education: HEP and CAMP	\$9.7	\$5.3	\$15
TOTAL:		\$110.3-\$200.3	

This package addresses five of the six highest-priority items identified by the Hispanic Education Coalition. The only program identified by the coalition but not included above is Title I. (If the budget process yields a substantial increase in Title I, that could be included as well.) The program above that was *not* identified by the coalition is Adult Education/English-language training for adults.

1. Bilingual Education - Teacher Training. This program provides current teachers with the skills they need to address the English language deficiencies of their students. (Despite the name, it does not require a bilingual program). By doubling the FY 1998 investment and sustaining that level over five years, we could **train 20,000 teachers**. The need in this area is huge -- California alone has a reported shortfall of 20,000.

2. TRIO College Preparation Programs. A recent evaluation of the Upward Bound program (support for

promising disadvantaged kids to go to college) showed dramatically positive results for Hispanics. This is an opportunity to showcase this success. We will also be making changes to the TRIO statute to encourage more funding to areas that are under-served, such as the Hispanic community. Even though we may be proposing an *earlier* mentoring program, it is important that we propose an increase in TRIO so that the very strong TRIO constituency does not see the new program as a threat. \$30 million is the same increase that the programs received in FY 1998; \$60 million would receive a more enthusiastic response.

3. Hispanic-Serving Institutions. These funds go to strengthen colleges where at least 25 percent of the student body is Hispanic and a large portion are needy. This substantial increase is already slated, as a result of Higher Education Act reauthorization and other discussions.

4. Adult Education - Model ESL Programs. The largest single source of English-as-a-Second-Language funding comes from the Adult Education program (which also promotes adult literacy and GED attainment). There are a plethora of approaches, and huge demand for these programs. But there is little information about what types of programs are most effective for different populations. This five-year \$100 million investment would go toward improving the ESL programs that we now fund through identification and dissemination of proven and promising practices. It could also be used to provide more training for adult ESL instructors, and/or to expand the use of the televised ESL series "Crossroads Cafe," if the evaluations of that program are as positive as expected.

5. Migrant Education Program. Because of their mobility, migrant children -- more than 80 percent of whom are Hispanic -- often do not "belong" to any one school system or even one State. That is why the Federal role in this area is critical. Funded at \$305 million in FY 1998, MEP is a State formula program that supports an extremely wide range of interventions specifically tailored to the needs of the local population it serves. Services range from the identification and recruitment of kids into schools, to all kinds of school-based interventions, to after school programs and summer sessions.

The 1994 reauthorization (of the Elementary and Secondary Education Act) focused MEP on the most mobile families, and resulted in more services are now being provided in the summer and between school sessions. Despite a narrowing of eligibility rules, the number of participating children has been increasing since the reauthorization, in part because of partnerships between MEP and several major agribusiness partners. These partnerships have led to improved service and coordination by local providers (education, health, public safety, library).

Increased funding would help to address the growing population of children who are being referred to the program, and to continue to provide a richer array of supplemental educational services. *A \$60 million investment is included in the proposal to address Child Labor issues.*

IV. Administrative Actions and Program Improvements

Based on our review of the Advisory Commission recommendations, other reports, and our meetings with the constituency groups and the Caucus, the agencies have signed off on a number of changes to, or enhancements in, current programs to better serve the Hispanic population. They are described below:

Dropout Prevention:

- **Comprehensive School Reform.** As part of this new \$150 million program aimed toward transforming failing schools, the Education Department will identify model approaches that show promise in reducing high dropout rates, and that address the needs of limited-English proficient children. The Department's guidelines to States will encourage funds to go to schools that need to address a dropout problem.
- **White House Conference on Staying in School.** The President and the Administration will participate in a conference to share solutions -- lessons from successful efforts to reduce dropout rates and to provide youth with alternatives to traditional high schools.
- **Clearinghouse on Successful Models for Dropout Prevention.** The Education Department, through its various research centers (and other clearinghouses), has a great deal of resources relating to dropout prevention. This would provide school and community leaders with "one-stop shopping" for ideas and information on best practices for keeping kids in school.

General:

- **Public Service Announcements in Spanish.** Univision has agreed to produce a series of public service announcements on education, such as encouraging parents to read to their children at an early age, and telling families about college financial aid.
- **Toll-Free Number and More Information in Spanish.** The Education Department is developing criteria to systematically determine what publications should be translated so that Spanish-speaking parents have better access to the information. In addition, the Department will establish a toll-free number that is answered in Spanish (or change the current number to prompt non-English speaking callers earlier), to ensure that there are no barriers to parents who want to find out how to better help their children succeed in school.
- **Model High Schools:** Working with the National Council of La Raza and ASPIRA, the Education Department's New American High Schools Initiative will focus attention on schools that better prepare all students for college and careers. Four of the ten schools initially selected have a Hispanic population of 20 percent or more. In addition, the Department has awarded a two-year contract to improve student preparation at six urban high schools and to

serve as models for other high schools. Three of the six have substantial Hispanic student participation.

Early Childhood and Parental Involvement

- **Early Head Start:** [Checking whether new funding in FY 1998 can be geared toward the needs of Hispanic community]
- **Head Start:** The Bipartisan Balanced Budget includes continued expansion of the program, toward the goal of serving one million children by 2002. The Department of Health and Human Services will implement an outreach plan to ensure that programs are reaching the Hispanic community. As a part of that effort, the Department will identify and disseminate a "best practices" guide for serving limited-English proficient (LEP) children.
- **Title I/parent training:** Parents who do not speak English well need extra care and support to gain their active participation in the schooling of their children. The Department of Education is compiling a set of "best practices" for implementing family literacy and parent involvement programs. This will include guidelines for working with LEP parents.

Improving teaching and learning

- **America Reads:** The Education Department and Scholastic, Inc., have developed and are distributing posters featuring the message "Reading is Power/Leer es Poder." The back of the poster provides reproducible reading activities for classroom use. Spanish language tutoring kits have been developed and will be distributed to Hispanic communities. LULAC has been an active partner in America Reads effort.
- **Bilingual/Teacher Training:** The Bipartisan Balanced Budget Agreement secures a 27 percent increase for the bilingual education program. As part of that increase, the Education Department will dedicate \$25 million to increase the number of teachers who are qualified to teach LEP children, and to improve teacher preparation programs so that all teachers can meet the needs of LEP students.
- **Technology:** To ensure that all schools take advantage of the funding available through the \$2 billion Technology Literacy Challenge Fund and the discounts of up to 90 percent (for the poorest schools) that will be available through the FCC's Universal Service Fund, the Education Department will conduct a series of technical assistance workshops, including some that are targeted to communities with large populations of Hispanic students. [Mention VP's leadership of outreach effort?]

Migrants

- **Technology:** The Education Department has awarded six grants, at \$15 million over five years, for projects that apply the use of technology to improve teaching and learning for migrant children.
- **Coordinated eligibility:** The Education Department is exploring the possibility of waiving eligibility requirements for Migrant Even Start and other education programs so that children of participants in the Job Training Partnership Act's migrant program (section 402), who have already been judged needy, will be automatically eligible.

Second chance and job training

- **Youth Opportunity Areas:** \$250 million has been appropriated for FY 1999, targeted to the highest poverty areas in the country to help out-of-school youth (age 16-24) become employable. (Currently six cities are funded. In NYC, 67% of those served are Hispanic; in Houston, 65%; in Los Angeles, 50%.)
- **Bilingual Contextual Learning.** The Labor Department is currently evaluating the results of an innovative approach for training individuals for the burgeoning home health care field. The Department will broadly disseminate the "lessons learned" from this experience.
- **ESL in Job Training.** The Labor Department will include guidance for providing services to limited-English-proficient populations in JTPA or successor programs.

College opportunity

- **TRIO programs:** The Education Department's reauthorization proposal will include measures designed to make the programs more available in areas that are now under-served by TRIO, including those with substantial Hispanic populations.
- **Information about college financial aid:** The largest Spanish language newspaper in the country, *La Opinion*, is publishing and distributing a Spanish-language version of the Education Department's guide, "Getting Ready for College Early." The Department is seeking out other opportunities to better reach Latino families.
- **Hispanic-Serving Institutions:** The Education Department's reauthorization of the Higher Education Act will include the creation of a new part under Title III for Hispanic-Serving Institutions.

Other efforts: The Education Department will release a plan that includes a number of other items, and improvements in data collection and research relating to Hispanic and LEP students.

V. Views and Recommendations

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Jeffrey A. Frankel (CN=Jeffrey A. Frankel/OU=CEA/O=EOP [CEA])

CREATION DATE/TIME: 3-DEC-1997 15:04:52.00

SUBJECT: Wed. budget meeting

TO: Janet L. Yellen (CN=Janet L. Yellen/OU=CEA/O=EOP @ EOP [CEA])

READ:UNKNOWN

CC: Michele Jolin (CN=Michele Jolin/OU=CEA/O=EOP @ EOP [CEA])

READ:UNKNOWN

CC: Alice H. Williams (CN=Alice H. Williams/OU=CEA/O=EOP @ EOP [CEA])

READ:UNKNOWN

CC: Rebecca M. Blank (CN=Rebecca M. Blank/OU=CEA/O=EOP @ EOP [CEA])

READ:UNKNOWN

TEXT:

Janet,

The Wed. meeting consisted of going through roughly half of the Departments listed in the Passback Decisions document. More talk about doubling funding for NIH and about Veterans Affairs smoking decision as a possible source of money.

Jack Lew said that in his view, the two areas of most accute need under the Passback budget (which, e.g., could be addressed from the \$5b carved aside for Presidential priorities) were:

- (1) HHS (which Gene agreed is "a horror show"; e.g., LIHEAP cuts), and
- (2) International Affairs (which subject drew an impassioned statement from Jim Steinberg).

Jack Lew's comment must have been intended to apply to int. affairs generally, tho it came up in the context of the difficulty finding money to pay for lost tariff revenue under current scoring of trade agreements. [As Gene pointed out, this raises an issue that has come up before, whether a "concept change" is called for to allow scoring to take into account projected effects on trade volume (perhaps the bad precedent for dynamic scoring is no longer so important).]

There should be a meeting of budget group on Thursday, where Katie M. and Jack G. will come in to talk, presumably, about Environment and R&D.

Then, I also attended a separate meeting Thursday on R&D in the budget. It featured appeals from Pena, and representatives of NIH, NSF, NASA and DoD.

I will leave you other materials on both meetings

JF

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Steven N. Braun (CN=Steven N. Braun/OU=CEA/O=EOP [CEA])

CREATION DATE/TIME: 4-DEC-1997 13:40:59.00

SUBJECT: CBO interest rate forecasts

TO: Jeffrey A. Frankel (CN=Jeffrey A. Frankel/OU=CEA/O=EOP @ EOP [CEA])
READ:UNKNOWN

TO: Janet L. Yellen (CN=Janet L. Yellen/OU=CEA/O=EOP @ EOP [CEA])
READ:UNKNOWN

TEXT:

I expect CBO forecast of interest rates to be:

12/1/97	2002
---------	------

3-mo TB	5.10
---------	------

CBO
4.8

CEA
4.7

10-yr Treasury	5.86
----------------	------

CBO
6.0

CEA
5.7

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Joseph E. Aldy (CN=Joseph E. Aldy/OU=CEA/O=EOP [CEA])

CREATION DATE/TIME: 4-DEC-1997 22:07:08.00

SUBJECT:: GCC: effects of Annex I trading and global JI on Russia

TO: Randall W. Lutter (CN=Randall W. Lutter/OU=CEA/O=EOP @ EOP [CEA])

READ:UNKNOWN

TO: Jeffrey A. Frankel (CN=Jeffrey A. Frankel/OU=CEA/O=EOP @ EOP [CEA])

READ:UNKNOWN

TO: Adele C. Morris (CN=Adele C. Morris/OU=CEA/O=EOP @ EOP [CEA])

READ:UNKNOWN

TO: Janet L. Yellen (CN=Janet L. Yellen/OU=CEA/O=EOP @ EOP [CEA])

READ:UNKNOWN

TEXT:

More fun stuff for Gruber. The bottom line is that Russia is a much bigger winner with Annex I trading alone than with Annex I trading AND JI. See attached table that I faxed over to Treasury.

Joe

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

ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:

Unable to convert ARMS_EXT:[ATTACH.D20]MAIL475508734.316 to ASCII,
The following is a HEX DUMP:

The Effects of Annex I Trading and Ideal Global JI on Russia

Scenario	Permit Price (\$/ton)	FSU Permit Sales (MMTC)	FSU TR (billions \$)	Russia TR (billions \$)	FSU TC (billions \$)	Russia TC (billions \$)	Russia TR-TC (billions \$)
100% Paper Tons*	\$15.8	294	\$4.65	\$3.02	\$0.63	\$0.41	\$2.61
50% Paper Tons	\$20.3	215	\$4.36	\$2.84	\$1.10	\$0.71	\$2.13
No Paper Tons*	\$25.9	130	\$3.37	\$2.19	\$1.68	\$1.09	\$1.10

Model: SGM

* From model runs. 50% paper tons case based on interpolations from constructed marginal abatement cost curves.

Russian revenues and costs are assumed to be 65% of FSU revenues and costs, given that the Russian economy was approximately 65% the size of all FSU countries' economies in 1995.

Total costs are calculated assuming that the marginal abatement cost curve is linear in those sections of the curve.

All dollars are expressed in 1992 \$.

These analyses assume that there are no constraints on the ability of other Annex I countries to purchase emissions reductions abroad.

The Effects of Annex I Trading Alone on Russia

Scenario	Permit Price (\$/ton)	FSU Permit Sales (MMTC)	FSU TR (billions \$)	Russia TR (billions \$)	FSU TC (billions \$)	Russia TC (billions \$)	Russia TR-TC (billions \$)
100% Paper Tons*	\$41.3	382	\$15.8	\$10.27	\$3.5	\$2.28	\$7.99
50% Paper Tons	\$55	319	\$17.5	\$11.38	\$5.8	\$3.77	\$7.61
No Paper Tons*	\$71.6	251	\$18.0	\$11.70	\$9.0	\$5.85	\$5.85

Model: SGM

* From model runs. 50% paper tons case based on interpolations from constructed marginal abatement cost curves.

Russian revenues and costs are assumed to be 65% of FSU revenues and costs, given that the Russian economy was approximately 65% the size of all FSU countries' economies in 1995.

Total costs are calculated assuming that the marginal abatement cost curve is linear in those sections of the curve.

All dollars are expressed in 1992 \$.

These analyses assume that there are no constraints on the ability of other Annex I countries to purchase emissions reductions abroad.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Rebecca M. Blank (CN=Rebecca M. Blank/OU=CEA/O=EOP [CEA])

CREATION DATE/TIME: 4-DEC-1997 10:17:43.00

SUBJECT: Re: Memos - tight timeline

TO: Janet L. Yellen (CN=Janet L. Yellen/OU=CEA/O=EOP @ EOP [CEA])

READ:UNKNOWN

CC: Michele Jolin (CN=Michele Jolin/OU=CEA/O=EOP @ EOP [CEA])

READ:UNKNOWN

CC: Alice H. Williams (CN=Alice H. Williams/OU=CEA/O=EOP @ EOP [CEA])

READ:UNKNOWN

CC: Sanders D. Korenman (CN=Sanders D. Korenman/OU=CEA/O=EOP @ EOP [CEA])

READ:UNKNOWN

TEXT:

Janet --

Both Sandy and I have looked at the two memos you sent us, one on the mentoring initiative to encourage college-going among low-income teens, and the other on initiatives aimed at improving educational outcomes within the Hispanic population. We think these look good. We have no major comments to suggest.

Becky

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Joseph E. Aldy (CN=Joseph E. Aldy/OU=CEA/O=EOP [CEA])

CREATION DATE/TIME: 4-DEC-1997 10:33:28.00

SUBJECT:: GCC: permit prices under paper ton and purchase cap constraints

TO: Randall W. Lutter (CN=Randall W. Lutter/OU=CEA/O=EOP @ EOP [CEA])
READ:UNKNOWN

TO: Jeffrey A. Frankel (CN=Jeffrey A. Frankel/OU=CEA/O=EOP @ EOP [CEA])
READ:UNKNOWN

TO: Adele C. Morris (CN=Adele C. Morris/OU=CEA/O=EOP @ EOP [CEA])
READ:UNKNOWN

TO: Janet L. Yellen (CN=Janet L. Yellen/OU=CEA/O=EOP @ EOP [CEA])
READ:UNKNOWN

TEXT:

The attached files are what I sent over to Treasury last night in response to Gruber's request for information about how constraining EEFSU paper tons (e.g., Russia can only sell half of their paper tons) and placing purchase caps on other Annex I countries (e.g., U.S. can only buy 10% of emissions reductions abroad) affects the permit price. Any comments are welcome.

Joe

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

ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:

Unable to convert ARMS_EXT:[ATTACH.D49]MAIL418304732.316 to ASCII,
The following is a HEX DUMP:

MEMORANDUM

TO: Ray Squitieri
FROM: Joe Aldy
DATE: December 3, 1997
RE: Constraints on Annex I Permit Trading: Paper Tons and Purchase Caps

To assess the effects of constraining the percentage of paper tons EEFSU countries can sell as well as the percentage of emissions reductions occurring abroad other Annex I countries can buy, I reviewed model outputs from SGM. Both of these constraints can increase the price of a carbon permit, depending on the stringency of the constraint.

In most cases, a stringent purchase cap (e.g., no country can buy more than 10% of its emissions reductions abroad) drives the U.S. permit price (see attached table). For the scenarios with paper tons and 10% purchase caps, EEFSU countries cannot even sell all of their paper tons. For the scenarios with paper tons and 25% purchase caps, EEFSU countries do sell all of their paper tons, and some tons representing actual emissions reductions relative to BAU.

However, constraints on the extent of allowable paper ton sales and loose purchase caps (e.g., 50%) are driven by the paper ton constraint. In the case of a 50% paper ton constraint and a 50% purchase cap, non-EEFSU countries buy 49% of their emissions reductions from EEFSU countries. In the case of no paper tons and a 50% purchase cap, non-EEFSU countries buy 38% of their emissions reductions from EEFSU countries.

Constraints	U.S. Permit Price (\$/ton)	Permits Purchased Abroad by U.S. (MMTCE)
100% paper tons, no purchase caps (no constraints)	\$41*	202
50% paper tons, no purchase caps	\$55	149
no paper tons, no purchase caps	\$72*	97
100% paper tons, 10% purchase cap	\$93	38
100% paper tons, 25% purchase cap	\$72	95
100% paper tons, 50% purchase cap	\$45	190
50% paper tons, 10% purchase cap	\$93	38
50% paper tons, 25% purchase cap	\$72	95
50% paper tons, 50% purchase cap	\$55	151
no paper tons, 10% purchase cap	\$93	38
no paper tons, 25% purchase cap	\$72	95
no paper tons, 50% purchase cap	\$72	97

*From model runs. All other estimates are derived from assessing the constructed marginal abatement cost curves depicted in attached graphs.

Clinton Presidential Records Automated Records Management System [EMAIL]

This is not a presidential record. This is used as an administrative marker by the William J. Clinton Presidential Library Staff.

Hex Dump file is not in a recognizable format, has been incorrectly decoded or is damaged.

File Name: p_13740380_cea_html_2.pre

Attachment Number: [ATTACH.D49]MAIL428304733.316

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Janet L. Yellen (CN=Janet L. Yellen/OU=CEA/O=EOP [CEA])

CREATION DATE/TIME: 4-DEC-1997 11:13:51.00

SUBJECT:: Re: GCC: permit prices under paper ton and purchase cap constraints

TO: Joseph E. Aldy (CN=Joseph E. Aldy/OU=CEA/O=EOP @ EOP [CEA])

READ:UNKNOWN

TEXT:

I haven't yet had a chance to review this carefully but I have a quick question. Why is it that in the baseline, without purchase constraints on paper tons or purchased emission reductions, that the permit price is as high as \$41? I thought from the IAT report that 1990 by 2010 with both Annex I trading and JI yielded prices of about \$25 and even lower with paper tons.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Rebecca M. Blank (CN=Rebecca M. Blank/OU=CEA/O=EOP [CEA])

CREATION DATE/TIME: 4-DEC-1997 14:35:17.00

SUBJECT: Eisner meeting

TO: Janet L. Yellen (CN=Janet L. Yellen/OU=CEA/O=EOP @ EOP [CEA])

READ:UNKNOWN

CC: Francine P. Obermiller (CN=Francine P. Obermiller/OU=CEA/O=EOP @ EOP [CEA])

READ:UNKNOWN

CC: Alice H. Williams (CN=Alice H. Williams/OU=CEA/O=EOP @ EOP [CEA])

READ:UNKNOWN

TEXT:

Janet --

Bob Eisner has send me some stuff about his ideas on how to reform Social Security and asked if he could meet with the CEA when he's in town next week to talk about this. Bob is obviously a colleague of mine from Northwestern, as well as a friend. I've set up a meeting with himself and Chris and myself on Friday, Dec 12 at 9 am. To be honest, however, I don't expect this to be a very productive meeting and not worth anyone else's time.

If you are in your office at 9 that morning, however, it would be very nice if you'd come by my office, shake Bob's hand, tell him how glad you are he stopped by, and then indicate you have to run to an important meeting and you'll reluctantly have to hear what he has to say secondhand from us at a later point.

Becky

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Adele C. Morris (CN=Adele C. Morris/OU=CEA/O=EOP [CEA])

CREATION DATE/TIME: 8-DEC-1997 14:44:21.00

SUBJECT: Clean Development Fund vs. JI

TO: Randall W. Lutter (CN=Randall W. Lutter/OU=CEA/O=EOP @ EOP [CEA])
READ:UNKNOWN

TO: Jeffrey A. Frankel (CN=Jeffrey A. Frankel/OU=CEA/O=EOP @ EOP [CEA])
READ:UNKNOWN

TO: Joseph E. Aldy (CN=Joseph E. Aldy/OU=CEA/O=EOP @ EOP [CEA])
READ:UNKNOWN

TO: Janet L. Yellen (CN=Janet L. Yellen/OU=CEA/O=EOP @ EOP [CEA])
READ:UNKNOWN

TEXT:

A thought about comparing Clean Development Funds with JI and safety valves:

From the U.S. perspective, a Clean Development Fund is essentially the same as a safety valve, but it's not interchangeable with JI with credit. There are important efficiency differences.

With JI, presumably projects are undertaken for which the cost of carbon reductions is less than or equal to the traded price of permits. Firms get credit for the certified carbon reductions from baseline that their projects generate, and sell the credits.

With a Clean Development Fund, there is no guarantee that the cost of carbon reduction projects undertaken by the Fund bears any resemblance to the penalty, or safety valve, price. The Fund would be administered by a bureaucracy that probably would have very different incentives than firms interested in generating saleable credits. The efficiency of the Fund matters because carbon reductions they don't achieve with that money could come out of the US's hide some day in the future when global emissions are deemed still too high.

Thus, if we care that carbon is reduced efficiently -- and I think we should -- we should support JI with credit over a Clean Development Fund.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Joseph E. Aldy (CN=Joseph E. Aldy/OU=CEA/O=EOP [CEA])

CREATION DATE/TIME: 8-DEC-1997 16:46:41.00

SUBJECT:: GCC: Annex I trading without EU participation

TO: Randall W. Lutter (CN=Randall W. Lutter/OU=CEA/O=EOP @ EOP [CEA])

READ:UNKNOWN

TO: Jeffrey A. Frankel (CN=Jeffrey A. Frankel/OU=CEA/O=EOP @ EOP [CEA])

READ:UNKNOWN

TO: Adele C. Morris (CN=Adele C. Morris/OU=CEA/O=EOP @ EOP [CEA])

READ:UNKNOWN

TO: Janet L. Yellen (CN=Janet L. Yellen/OU=CEA/O=EOP @ EOP [CEA])

READ:UNKNOWN

TEXT:

Jon Gruber called me a couple of hours ago asking what we might have to say on Annex I trading without EU participation (specifically, what might model results imply). The following memo presents the major effects of excluding the EU from trading (permit prices, emissions abatement costs, capital flows). The bottom line is that excluding the EU from trading increases the total cost of abatement for 1990 by 2010 for Annex I, but it actually helps the US, Canada, Japan, and Australia. It hurts the EU (since all of their abatement is achieved at home) and EEFSU countries (because excluding the EU depresses the demand and therefore the price for EEFSU paper tons and reductions). If you have comments on this, please get them to me by 6pm -- I need to fax this over by 6:30. Thanks.

Joe

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

ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:

Unable to convert ARMS_EXT:[ATTACH.D72]MAIL47271614S.316 to ASCII,
The following is a HEX DUMP:

MEMORANDUM

TO: Jon Gruber
FROM: Joe Aldy
DATE: 12/8/97
RE: Annex I Trading without EU Participation

If the EU does not participate in an Annex I permit trading market, the total costs for Annex I countries to comply with a target and timetable increase, but the U.S., Japan, Australia, and Canada are all better off without EU participation. The EU and Eastern European and Former Soviet Union countries are all made worse off by EU non-participation.

To illustrate the effects of EU non-participation, I assessed country-specific marginal abatement cost curves derived from SGM outputs for the 1990 in 2010 target and timetable. The first chart illustrates the difference in the total economic effects of these two trading regimes. The two charts that follow show permit prices, domestic emissions abatement, purchases and transfers of permits on the Annex I market, and total costs of Annex I trading with EU participation and a trading regime without EU participation.

Difference in Economic Costs of Trading Regimes with and without EU Participation

Country/Region	Total Costs under Trading with EU (abatement cost + transfers)	Total Costs under Trading without EU (abatement cost + transfers)	Change in Costs (- means costs decrease w/o EU participation)
U.S.	\$12.0b	\$7.6b	-\$4.4b
Australia	\$0.8b	\$0.5b	-\$0.3b
Canada	\$1.9b	\$1.1b	-\$0.8
Japan	\$3.5b	\$2.0b	-\$1.5b
Eastern Europe	net gain: \$3.7b	net gain: \$1.9b	\$1.8b
Former Soviet Union	net gain: \$12.3b	net gain: \$6.2b	\$6.1b
Russia ⁱ	net gain: \$7.9b	net gain: \$4.0b	\$3.9b
EU ⁱⁱ	\$8.1b	\$18.9b	\$10.8b
ANNEX I, total abatement cost	\$10.3b	\$21.9b	\$11.6b

Annex I Trading with EU Participation

Country/ Region	Permit Price	Domestic Reductions	Reductions Purchased Abroad	Domestic Abatement Cost	Capital Flow	Total Cost
U.S.	\$41.30	177	202	\$3.7b	-\$8.3b	\$12.0b
Australia	\$41.30	11	15	\$0.2b	-\$0.6b	\$0.8b
Canada	\$41.30	13	39	\$0.3b	-\$1.6b	\$1.9b
Japan	\$41.30	21	75	\$0.4b	-\$3.1b	\$3.5b
Eastern Europe	\$41.30	27	-105	\$0.6b	+\$4.3b	net gain: \$3.7b
Former Soviet Union	\$41.30	168	-382	\$3.5b	+\$15.8b	net gain: \$12.3b
Russia ¹	\$41.30	109	-248	\$2.3b	+\$10.2b	net gain: \$7.9b
EU ²	\$41.30	83	156	\$1.7b	-\$6.4b	\$8.1b

Annex I Trading without EU Participation

Country/ Region	Permit Price	Domestic Reductions	Reductions Purchased Abroad	Domestic Abatement Cost	Capital Flow	Total Cost
U.S.	\$23	101	278	\$1.2b	\$6.4b	\$7.6b
Australia	\$23	7	19	\$0.08b	\$0.4b	\$0.5b
Canada	\$23	8	44	\$0.09b	\$1.0b	\$1.1b
Japan	\$23	12	84	\$0.1b	\$1.9b	\$2.0b
Eastern Europe	\$23	15	-93	\$0.2b	-\$2.1b	net gain: \$1.9b
Former Soviet Union	\$23	118	-332	\$1.4b	-\$7.6b	net gain: \$6.2b
Russia ¹	\$23	77	-216	\$0.9b	-\$4.9b	net gain: \$4.0b
EU ²	\$158	239	0	\$18.9b	0	\$18.9b

Notes:

EU Bubble Countries:

Austria
Belgium
Denmark
Finland
France
Germany
Greece
Ireland
Italy
Luxembourg
Netherlands
Portugal
Spain
Sweden
United Kingdom

Western Europe in SGM:

EU bubble countries plus
Iceland (1990: 0.6 MMTCE CO₂)
Norway (1990: 14.3 MMTCE CO₂)
Switzerland (1990: 11.6 MMTCE CO₂)
Turkey (1990: 39.7 MMTCE CO₂)

- i. Russia is calculated as 65% of FSU because its economy in 1995 was 65% the size of the economies of all FSU countries.
- ii. SGM models the Western Europe region including 19 countries, 4 of which are not in the EU bubble. However, the 15 countries in the bubble comprised about 93% of CO₂ emissions in 1990 of the 19 countries in the modeled region. See the attached list of countries to review the distinctions between the Western Europe region modeled in SGM and the EU bubble.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Janet L. Yellen (CN=Janet L. Yellen/OU=CEA/O=EOP [CEA])

CREATION DATE/TIME: 8-DEC-1997 08:26:13.00

SUBJECT: Recommendations for Sarah Reber

TO: Alice H. Williams (CN=Alice H. Williams/OU=CEA/O=EOP @ EOP [CEA])

READ:UNKNOWN

TEXT:

Attached are two files containing recommendation letters for Sarah. One is for the NSF fellowship, the other for all of the letters that go to grad schools. Could you print these out on my stationery and attach to the forms I have left on your desk? The National Science Foundation letters for both Sarah and Diane need to go out today, Federal Express to make sure they get there on time. Before I check the boxes on the various grad school applications could you ask Sarah to come in and sign the waiver releases? Although I have only nice things to say, the letters will be taken much less seriously if she does not sign the waiver.

Thanks. ===== ATTACHMENT 1 =====

ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:

Unable to convert ARMS_EXT:[ATTACH.D69]MAIL449803147.316 to ASCII,
The following is a HEX DUMP:

December 5, 1997

Letter of Recommendation for Sarah Reber for a NSF Graduate Research Fellowship:

The purpose of this letter is to offer my unqualified support for Sarah Reber's application for a National Science Foundation Graduate Research Fellowship. Sarah has extraordinary potential to become one of the leading economists of her generation. Given her high native intelligence, her extraordinary interest and prior training in economics, her drive to contribute, her enthusiasm for her subject, and her demonstrated accomplishments both in research and public policy, Sarah is a sure bet to succeed in economics.

I have worked closely with Sarah at the Council of Economic Advisers since February 1997 when I joined as Chair and I have been thoroughly impressed by her talents. During her first year at the CEA, Sarah held the title of Research Assistant. The best research assistants at the CEA are exceptional in their ability to locate and manipulate data, to perform econometric analyses, to prepare charts, to summarize research, to communicate effectively and to work extraordinarily hard. Sarah immediately demonstrated that she possesses all of these talents but in addition, her analytic capabilities and ability to function independently were judged exceptional. As a consequence, her responsibilities gradually expanded and by the time I arrived, Sarah was functioning on a par with our senior economists. To entice Sarah to stay a second year, we upgraded her title as much as we could--namely, to Junior Economist, a position reserved for graduate students.

Sarah's contributions to the work of the Council of Economic Advisers have been important and wide ranging. First and foremost, Sarah serves as the CEA's health economist, participating in all major ongoing Administration initiatives in the area of health care. For example, she represented the CEA in the White House working group that designed the Children's health initiative passed in last year's budget agreement, and she is also involved in ongoing policy groups focusing on possible Medicare extensions and reform. Sarah brings to her work in this area outstanding background in the field of health economics as well as a research record which is remarkable for an undergraduate, including a joint paper with David Cutler. In addition to her involvement in health-related policy work, Sarah regularly contributes articles and special analyses on health-related issues to our *Weekly Economic Briefing of the President*--a document that the CEA prepares on a weekly basis for the President and top level members of the Administration economic team to keep them informed about important trends and research relating to the economy and policy. This written document forms the basis for weekly oral briefings of the President. Indeed, Sarah's analyses have captured the attention of the President to the point where he has, on several occasions, drawn on her insights in speeches or in discussions of health policy issues with members of the Administration and Congress. Sarah also contributed heavily to this year's *Economic Report of the President*, as a primary author of a chapter of the report concerning developments in the areas of health and the environment. These are the kinds of contributions typically made by our best senior economists.

In addition to her work in the field of health economics, Sarah's likely field of emphasis in graduate school, Sarah has also made major contributions in the area of the environment.

Especially noteworthy was Sarah's involvement in the policy process relating to the Clean Air Act. Sarah served as the CEA's chief representative in an intricate and particularly disputatious regulatory review concerning the setting and the implementation of the National Ambient Air Quality standards (NAAQS). She fought throughout for the use of sensible cost-benefit analysis in both the formulation and implementation of new ozone and particulate matter emissions standards. Sarah contributed prominently to the internal debate by producing original CEA estimates of the costs and the likely health benefits. Throughout the debate, Sarah brilliantly critiqued EPA's analyses and contributed both constructively and imaginatively in the OMB Regulatory review process. It was during this process that I came to know Sarah particularly well as I relied on her to prepare me for my own participation in meetings at the Principal level. In the end, Sarah succeeded in insuring that limits will be placed on the costs that state and local governments will have to incur to meet the new standards. And she promoted the use of cost-effective, market-based mechanisms, including a NO_x cap and trade emissions trading system, to the maximum extent feasible. Sarah's involvement in the Clean Air policy process entailed routine participation in interagency meetings where representation was typically at the Assistant Secretary level. At one point the chief of OMB's regulatory analysis division, who headed the lengthy and contentious review process, complemented me on Sarah's performance and contributions. She was truly stunned when I mentioned that Sarah had only just completed her undergraduate degree. Indeed, it is an indication of Sarah's intelligence, organization, self confidence, policy acumen and maturity that she is capable even now of participating in the policy process at such a high level.

There is no question in my mind that Sarah will succeed not only in graduate school but also as a professional economist. Sarah is extremely well prepared for graduate work and has an obvious flair for research. She possesses both impressive analytical ability and a talent for empirical analysis. As a consequence I expect her to make significant contributions as an applied economist with a keen focus on important policy issues. I give her my strongest recommendation for an NSF Graduate Fellowship.

December 5, 1997

Letter of Recommendation for Sarah Reber

The purpose of this letter is to offer my unqualified support for Sarah Reber's application to the Ph. D. Program in economics. Sarah has extraordinary potential to become one of the leading economists of her generation. Given her high native intelligence, her extraordinary interest and prior training in economics, her drive to contribute, her enthusiasm for her subject, and her demonstrated accomplishments both in research and public policy, Sarah is a sure bet to succeed in economics.

I have worked closely with Sarah at the Council of Economic Advisers since February 1997 when I joined as Chair and I have been thoroughly impressed by her talents. During her first year at the CEA, Sarah held the title of Research Assistant. The best research assistants at the CEA are exceptional in their ability to locate and manipulate data, to perform econometric analyses, to prepare charts, to summarize research, to communicate effectively and to work extraordinarily hard. Sarah immediately demonstrated that she possesses all of these talents but in addition, her analytic capabilities and ability to function independently were judged exceptional. As a consequence, her responsibilities gradually expanded and by the time I arrived, Sarah was functioning on a par with our senior economists. To entice Sarah to stay a second year, we upgraded her title as much as we could--namely, to Junior Economist, a position reserved for graduate students.

Sarah's contributions to the work of the Council of Economic Advisers have been important and wide ranging. First and foremost, Sarah serves as the CEA's health economist, participating in all major ongoing Administration initiatives in the area of health care. For example, she represented the CEA in the White House working group that designed the Children's health initiative passed in last year's budget agreement, and she is also involved in ongoing policy groups focusing on possible Medicare extensions and reform. Sarah brings to her work in this area outstanding background in the field of health economics as well as a research record which is remarkable for an undergraduate, including a joint paper with David Cutler. In addition to her involvement in health-related policy work, Sarah regularly contributes articles and special analyses on health-related issues to our *Weekly Economic Briefing of the President*--a document that the CEA prepares on a weekly basis for the President and top level members of the Administration economic team to keep them informed about important trends and research relating to the economy and policy. This written document forms the basis for weekly oral briefings of the President. Indeed, Sarah's analyses have captured the attention of the President to the point where he has, on several occasions, drawn on her insights in speeches or in discussions of health policy issues with members of the Administration and Congress. Sarah also contributed heavily to this year's *Economic Report of the President*, as a primary author of a chapter of the report concerning developments in the areas of health and the environment. These are the kinds of contributions typically made by our best senior economists.

In addition to her work in the field of health economics, Sarah's likely field of emphasis in graduate school, Sarah has also made major contributions in the area of the environment.

Especially noteworthy was Sarah's involvement in the policy process relating to the Clean Air Act. Sarah served as the CEA's chief representative in an intricate and particularly disputatious regulatory review concerning the setting and the implementation of the National Ambient Air Quality standards (NAAQS). She fought throughout for the use of sensible cost-benefit analysis in both the formulation and implementation of new ozone and particulate matter emissions standards. Sarah contributed prominently to the internal debate by producing original CEA estimates of the costs and the likely health benefits. Throughout the debate, Sarah brilliantly critiqued EPA's analyses and contributed both constructively and imaginatively in the OMB Regulatory review process. It was during this process that I came to know Sarah particularly well as I relied on her to prepare me for my own participation in meetings at the Principal level. In the end, Sarah succeeded in insuring that limits will be placed on the costs that state and local governments will have to incur to meet the new standards. And she promoted the use of cost-effective, market-based mechanisms, including a NO_x cap and trade emissions trading system, to the maximum extent feasible. Sarah's involvement in the Clean Air policy process entailed routine participation in interagency meetings where representation was typically at the Assistant Secretary level. At one point the chief of OMB's regulatory analysis division, who headed the lengthy and contentious review process, complemented me on Sarah's performance and contributions. She was truly stunned when I mentioned that Sarah had only just completed her undergraduate degree. Indeed, it is an indication of Sarah's intelligence, organization, self confidence, policy acumen and maturity that she is capable even now of participating in the policy process at such a high level.

There is no question in my mind that Sarah will succeed not only in graduate school but also as a professional economist. Sarah is extremely well prepared for graduate work and has an obvious flair for research. She possesses both impressive analytical ability and a talent for empirical analysis. As a consequence I expect her to make significant contributions as an applied economist with a keen focus on important policy issues. I give her my strongest recommendation for admission to the graduate program.

Sincerely,

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Michele Jolin (CN=Michele Jolin/OU=CEA/O=EOP [CEA])

CREATION DATE/TIME: 8-DEC-1997 15:37:29.00

SUBJECT: Pension working group

TO: Janet L. Yellen (CN=Janet L. Yellen/OU=CEA/O=EOP @ EOP [CEA])

READ:UNKNOWN

CC: Christopher D. Carroll (CN=Christopher D. Carroll/OU=CEA/O=EOP @ EOP [CEA])

READ:UNKNOWN

TEXT:

Just so you know, I talked to Emil Parker, who took over the NEC Pension working group when Ellen Seidman left. I expressed concern about CEA being left out of the process and he apologized. He said that the memo going to the POTUS this week is meant to flag new ideas regarding pensions and allow the President to reserve a spot in the budget if necessary. He said that the working group plans to continue to meet on a weekly basis and would welcome Chris's participation. I have talked to Chris about it and asked him to let me know if he has any problems.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Joseph E. Aldy (CN=Joseph E. Aldy/OU=CEA/O=EOP [CEA])

CREATION DATE/TIME: 9-DEC-1997 18:04:58.00

SUBJECT:: GCC: analyses done for Gruber last night

TO: Randall W. Lutter (CN=Randall W. Lutter/OU=CEA/O=EOP @ EOP [CEA])
READ:UNKNOWN

TO: Jeffrey A. Frankel (CN=Jeffrey A. Frankel/OU=CEA/O=EOP @ EOP [CEA])
READ:UNKNOWN

TO: Adele C. Morris (CN=Adele C. Morris/OU=CEA/O=EOP @ EOP [CEA])
READ:UNKNOWN

TO: Janet L. Yellen (CN=Janet L. Yellen/OU=CEA/O=EOP @ EOP [CEA])
READ:UNKNOWN

TEXT:
FYI. The following two files include analyses I did for Gruber last night.

File 1: compares a world with full Annex I trading to a world with two trading blocs: umbrella (US, Jap, Can, Aus, Russia) and Europe-only (EU plus eastern Europe)

File 2: provides charts assuming differentiated targets (including US at -2% of 1990)

Chart 1: Full Annex I trading with these targets

Chart 2: Same comparison as in file 1 with new targets

Chart 3: Same comparison as in file 1 but no country can buy more than 50% of their emissions

reductions abroad and with new targets

Chart 4: Same comparison as in file 1 with new targets and the Umbrella countries can also participate in JI

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

ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:
Unable to convert ARMS_EXT:[ATTACH.D84]MAIL47116624V.316 to ASCII,
The following is a HEX DUMP:

MEMORANDUM

TO: Jon Gruber
FROM: Joe Aldy
DATE: 12/8/97
RE: Umbrella Annex I Trading with neither EU nor Eastern European Participation

If neither the EU nor Eastern European countries participate in full Annex I permit trading market, the total cost for Annex I countries to comply with a target and timetable increases, but the U.S., Japan, and Canada are all better off with a smaller Annex I “Umbrella” (trading between U.S., Japan, Canada, Australia, and FSU countries). Australia has roughly the same costs (domestic abatement costs plus transfers for emissions reductions abroad) under this umbrella as under full Annex I trading. Eastern Europe actually benefits under a regime where it does not participate in the umbrella but it does sell permits with the EU (a European-only trading regime) relative to full Annex I trading. As the only seller of permits to the EU, Eastern Europe does not have to compete with cheap permits from FSU countries, and thus can sell more permits at higher permit prices than under full Annex I trading. The three major buyers of permits in the Umbrella, U.S., Canada, and Japan, benefit, because as buyers of permits, the loss of a major competitor means they can buy more emissions reductions in EEFSU at lower permit prices.

Former Soviet Union countries and the EU are worse under this scenario of two trading blocks (the Umbrella and the European-only trading) than under full Annex I trading. The cost for the EU increases under European-only trade relative to full trading because it cannot take advantage of low cost emissions reductions in FSU countries, such as Russia. Former Soviet Union countries are worse off even though they don't have to compete with Eastern European countries in the sellers market because the EU would be the second largest buyer of permits under full Annex I-wide trading. Losing a major buyer decreases total demand for their permits and thus the price more so than losing competitors contracts the supply and pushes up the permit price.

To illustrate the effects of EU non-participation, I assessed country-specific marginal abatement cost curves derived from SGM outputs for the 1990 in 2010 target and timetable. The first chart illustrates the difference in the total economic effects of these two trading regimes. The two charts that follow show permit prices, domestic emissions abatement, purchases and transfers of permits on the Annex I market, and total costs of Annex I trading with EU participation and a trading regime without EU participation.

Umbrella: U.S, Canada, Japan, Australia, FSU
European-Only Bloc: EU, Eastern Europe

Winners with Two Trading Blocs Relative to Full Annex I Trading: U.S, Canada, Japan, Eastern Europe

Losers with Two Trading Blocs Relative to Full Annex I Trading: EU, FSU

No Difference Between the Trading Blocs: Australia

Difference in Economic Costs of Trading Regimes with and without EU, Eastern European Participation

Country/Region	Total Costs under Full Trading (abatement cost + transfers)	Total Costs under Trading without EU, Eastern Europe (abatement cost + transfers)	Change in Costs (- means costs decrease w/o EU, Eastern Europe participation)
U.S.	\$12.0b	\$10.2b	-\$1.8b
Australia	\$0.8b	\$0.8b	0
Canada	\$1.9b	\$1.5b	-\$0.4b
Japan	\$3.5b	\$2.9b	-\$0.6b
Former Soviet Union	net gain: \$12.3b	net gain: \$9.7b	\$2.6b
Russia ⁱ	net gain: \$7.9b	net gain: \$6.2b	\$1.7b
Eastern Europe	net gain: \$3.7b	net gain: \$5.8b	-\$1.9b
EU ⁱⁱ	\$8.1b	\$10.6b	\$2.5b
ANNEX I, total abatement cost	\$10.3b	\$12.2b	\$1.9b

Annex I Trading with Full Participation

Country/ Region	Permit Price	Domestic Reductions	Reductions Purchased Abroad	Domestic Abatement Cost	Capital Flow	Total Cost
U.S.	\$41.3	177	202	\$3.7b	-\$8.3b	\$12.0b
Australia	\$41.3	11	15	\$0.2b	-\$0.6b	\$0.8b
Canada	\$41.3	13	39	\$0.3b	-\$1.6b	\$1.9b
Japan	\$41.3	21	75	\$0.4b	-\$3.1b	\$3.5b
Former Soviet Union	\$41.3	168	-382	\$3.5b	+\$15.8b	net gain: \$12.3b
Russia ¹	\$41.3	109	-248	\$2.3b	+\$10.2b	net gain: \$7.9b
Eastern Europe	\$41.3	27	-105	\$0.6b	+\$4.3b	net gain: \$3.7b
EU ²	\$41.3	83	156	\$1.7b	-\$6.4b	\$8.1b

[Automated Records Management System Hex-Dump Conversion]

Annex I Trading without EU or Eastern Europe Participation

Country/ Region	Permit Price	Domestic Reductions	Reductions Purchased Abroad	Domestic Abatement Cost	Capital Flow	Total Cost
U.S.	\$33.6	151	228	\$2.5b	\$7.7b	\$10.2b
Australia	\$33.6	9	17	\$0.2b	\$0.6b	\$0.8b
Canada	\$33.6	12	40	\$0.2b	\$1.3b	\$1.5b
Japan	\$33.6	18	78	\$0.3b	\$2.6b	\$2.9b
Former Soviet Union	\$33.6	149	-363	\$2.5b	-\$12.2b	net gain: \$9.7b
Russia ¹	\$33.6	97	236	\$1.7b	-\$7.9b	net gain: \$6.2b
Eastern Europe	\$59.7	40	-118	\$1.2b	-\$7.0b	net gain: \$5.8b
EU ²	\$59.7	121	118	\$3.6b	\$7.0b	\$10.6b

Notes:

EU Bubble Countries:

Austria
Belgium
Denmark
Finland
France
Germany
Greece
Ireland
Italy
Luxembourg
Netherlands
Portugal
Spain
Sweden
United Kingdom

Western Europe in SGM:

EU bubble countries plus
Iceland (1990: 0.6 MMTCE CO₂)
Norway (1990: 14.3 MMTCE CO₂)
Switzerland (1990: 11.6 MMTCE CO₂)
Turkey (1990: 39.7 MMTCE CO₂)

- i. Russia is calculated as 65% of FSU because its economy in 1995 was 65% the size of the economies of all FSU countries.
- ii. SGM models the Western Europe region including 19 countries, 4 of which are not in the EU bubble. However, the 15 countries in the bubble comprised about 93% of CO₂ emissions in 1990 of the 19 countries in the modeled region. See the attached list of countries to review the distinctions between the Western Europe region modeled in SGM and the EU bubble.

T&T:

U.S., Japan, Canada: 2% below 1990

Australia: 5% above 1990

FSU, Eastern Europe: 1990

EU: 10% below 1990

Full Annex I Trading

Country/ Region	permit price	domestic reductions	reductions purchased abroad	domestic abatement cost	transfers	total cost
U.S.	\$51.6	215	191	\$5.5b	\$9.9b	\$15.4b
Canada	\$51.6	16	38	\$0.4b	\$2.0b	\$2.4b
Japan	\$51.6	26	75	\$0.6b	\$3.9b	\$4.6b
Australia	\$51.6	13	5	\$0.3b	\$0.2b	\$0.6b
FSU	\$51.6	415	0	\$5.2b	-\$21.4b	net gain: \$16.2b
EU	\$51.6	105	218	\$2.7b	\$11.2b	\$13.9b
Eastern Europe	\$51.6	112	0	\$0.9b	-\$5.8b	net gain: \$4.9b

Two Permit Trading Blocs: Annex I Umbrella and Europe-Only

Country/ Region	permit price	domestic reductions	reductions purchased abroad	domestic abatement cost	transfers	total cost
U.S.	\$36.6	159	247	\$2.9b	\$9.0b	\$11.9b
Canada	\$36.6	13	41	\$0.2b	\$1.5b	\$1.7b
Japan	\$36.6	19	82	\$0.3b	\$3.0b	\$3.3b
Australia	\$36.6	10	8	\$0.2b	\$0.3b	\$0.5b
FSU	\$36.6	378	0	\$3.0b	-\$13.8b	net gain: \$10.8b
EU	\$101	178	145	\$9.0b	\$14.6b	\$23.6b
Eastern Europe	\$101	145	0	\$3.4b	-\$14.6	net gain: \$11.2b

Two Permit Trading Blocs: Annex I Umbrella and Europe-Only and 50% Constraint

Country/ Region	permit price (domestic)	domestic reductions	reductions purchased abroad	domestic abatement cost	transfers	total cost
U.S.	\$48	203	203	\$4.9b	\$3.0b	\$7.9b
Canada	\$101	27	27	\$1.4b	\$0.4b	\$1.8b
Japan	\$119	50	51	\$3.0b	\$0.8b	\$3.8b
Australia	\$32	9	9	\$0.1b	\$0.1b	\$0.2b
FSU	\$15	289	0	\$0.5b	-\$4.3b	net gain: \$3.8b
EU	\$101	178	145	\$9.0b	\$14.6b	\$23.6b
Eastern Europe	\$101	145	0	\$3.4b	-\$14.6b	net gain: \$11.2b

Two Permit Trading Blocs: Annex I Umbrella + Global JI and Europe-Only (no JI)

Country/ Region	permit price	domestic reductions	reductions purchased abroad	domestic abatement cost	transfers	total cost
U.S.	\$12	50	356	\$0.3b	\$4.4b	\$4.7b
Canada	\$12	4	50	\$0.02b	\$0.6b	\$0.6b
Japan	\$12	7	94	\$0.04b	\$1.2b	\$1.2b
Australia	\$12	4	14	\$0.02b	\$0.2b	\$0.2b
FSU	\$12	280	0	\$0.4b	-\$3.5b	net gain: \$3.1
EU	\$101	178	145	\$9.0b	\$14.6b	\$23.6b
Eastern Europe	\$101	145	0	\$3.4b	-\$14.6b	net gain: \$11.2b
China	\$12	170	0	\$1.1b	-\$2.1b	net gain: \$1.0b
India	\$12	21	0	\$0.1b	-\$0.3b	net gain: \$0.2b
Korea	\$12	2	0	\$0.01b	-\$0.02b	net gain: \$0.01b
Mexico	\$12	11	0	\$0.07b	-\$0.1b	net gain: 0.03b
ROW	\$12	30	0	\$0.2b	-\$0.4b	net gain: 0.2b

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Jeffrey A. Frankel (CN=Jeffrey A. Frankel/OU=CEA/O=EOP [CEA])

CREATION DATE/TIME: 9-DEC-1997 13:01:26.00

SUBJECT: advice to Japanese on expansion of demand

TO: Janet L. Yellen (CN=Janet L. Yellen/OU=CEA/O=EOP @ EOP [CEA])

READ:UNKNOWN

CC: Jon D. Haveman (CN=Jon D. Haveman/OU=CEA/O=EOP @ EOP [CEA])

READ:UNKNOWN

TEXT:

Janet,

I have obtained from Treasury texts of recent "warnings" to Japan, which I will give you:

- (1) Rubin's letter to Fin.Min, Mitsuzuka (the existence of which, but not the precise contents, has I believe been reported in the press)
- (2) suggested talking points that Treasury sent to NEC, for an expected Hashimoto-Clinton phone conversation (which apparently never took place),
- (3) notes on a 12/5 conversation between Rubin and the Japanese foreign minister.

Apparently Treasury warnings are getting increasingly specific (re fiscal stimulus) and strong. Your letter would be a continuation of this pattern.

But we don't want to make it too blunt. (It would be ironic if CEA were less polite than other agencies on this score.) Everytime I compare what gets reported in the paper with the actual text of a communication to the Japanese, I am struck by the extent to which the attempted understatement of the original disappears, and what is reported sounds more like brutal intimidation.

I'm waiting to hear (from Geithner) whether the strategy is "on." (I am pleased to observe that I see no need to revise my draft after reading the Treasury materials.)

JF

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Janet L. Yellen (CN=Janet L. Yellen/OU=CEA/O=EOP [CEA])

CREATION DATE/TIME: 9-DEC-1997 12:02:18.00

SUBJECT: Re: Clean Development Fund vs. JI

TO: Adele C. Morris (CN=Adele C. Morris/OU=CEA/O=EOP @ EOP [CEA])
READ:UNKNOWN

TEXT:

Thanks for the comments on the Clean Development Fund. When we talked about it before Kyoto, almost all of us recognized that the Fund would have bureaucratic incentives, which concerned us, but we did not make the point that it would eventually come out of our hides later on. That's a good point.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Joseph E. Aldy (CN=Joseph E. Aldy/OU=CEA/O=EOP [CEA])

CREATION DATE/TIME:11-DEC-1997 20:40:09.00

SUBJECT: Kyoto protocol

TO: Jeffrey A. Frankel (CN=Jeffrey A. Frankel/OU=CEA/O=EOP @ EOP [CEA])
READ:UNKNOWN

TO: Janet L. Yellen (CN=Janet L. Yellen/OU=CEA/O=EOP @ EOP [CEA])
READ:UNKNOWN

TEXT:

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

ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:

Unable to convert ARMS_EXT:[ATTACH.D90]MAIL45505744U.316 to ASCII,
The following is a HEX DUMP:

Final Draft of Kyoto Protocol to U.N. Climate Change
Convention
Issued Dec. 10, 1997

CONFERENCE OF THE PARTIES

Third session

Kyoto, 1-10 December 1997

Agenda item 5

FCCC/CP/1997/CRP.6

10 December 1997

ENGLISH ONLY

KYOTO PROTOCOL TO THE
UNITED NATIONS FRAMEWORK CONVENTION
ON CLIMATE CHANGE

Final draft by the Chairman of the Committee of the Whole

The Parties to this Protocol,

Being Parties to the United Nations Framework convention on Climate Change,
hereinafter referred to as "the Convention",

In pursuit of the ultimate objective of the Convention as stated in its Article 2,

Recalling the provisions of the Convention,

Being guided by Article 3 of the Convention,

Pursuant to the Berlin Mandate adopted by decision 1/CP.1 of the Conference
of the Parties to the Convention at its first session,

Have agreed as follows:

Article 1

For the purposes of this Protocol, the definitions contained in Article 1 of the
convention shall apply. In addition:

1. "Conference of the Parties" means the Conference of the Parties to the Convention.
2. "Convention" means the United Nations Framework Convention on Climate Change, adopted in New York on 9 May 1992.
3. "Intergovernmental Panel on Climate Change" means the Intergovernmental Panel on Climate Change established in 1988 jointly by the World Meteorological Organization and the United Nations Environment Programme.
4. "Montreal Protocol" means the Montreal Protocol on Substances that Deplete the Ozone Layer, adopted in Montreal on 16 September 1987 and as subsequently adjusted and amended.
5. "Parties present and voting" means Parties present and casting an affirmative or negative vote.
6. "Party" means, unless the context otherwise indicates, a Party to this Protocol.
7. "Party included in Annex I" means a Party included in Annex I to the Convention, as may be amended, or a Party which has made a notification under Article 4, paragraph 2(g), of the Convention.

Article 2

1. Each Party included in Annex I in achieving its quantified emission limitation and reduction commitments under Article 3, in order to promote sustainable development, shall:

(a) Implement and/or further elaborate policies and measures in accordance with its national circumstances, such as:

(i) Enhancement of energy efficiency in relevant sectors of the national economy;

(ii) Protection and enhancement of sinks and reservoirs of greenhouse gases not controlled by the Montreal Protocol, taking into account its commitments under relevant international environmental agreements; promotion of sustainable forest management practices, afforestation and reforestation;

(iii) Promotion of sustainable forms of agriculture in light of climate change considerations;

(iv) Promotion, research, development and increased use of new and renewable

forms of energy, of carbon dioxide sequestration technologies and of advanced and innovative environmentally sound technologies;

(v) Progressive reduction or phasing out of market imperfections, fiscal incentives, tax and duty exemptions and subsidies in all greenhouse gas emitting sectors that run counter to the objective of the Convention and apply market instruments;

(vi) Encouragement of appropriate reforms in relevant sectors aimed at promoting policies and measures which limit or reduce emissions of greenhouse gases not controlled by the Montreal Protocol;

(vii) Measures to limit and/or reduce emissions of greenhouse gases not controlled by the Montreal Protocol in the transport sector;

(viii) Limitation and/or reduction of methane through recovery and use in waste management, as well as in the production, transport and distribution of energy;

(b) Cooperate with other such Parties to enhance the individual and combined effectiveness of their policies and measures adopted under this Article, pursuant to Article 4, paragraph 2(e)(i), of the Convention. To this end, these Parties shall take steps to share their experience and exchange information on such policies and measures, including developing ways of improving their comparability, transparency and effectiveness. The Conference of the Parties serving as the meeting of the Parties to this Protocol shall, at its first session or as soon as practicable thereafter, consider ways to facilitate such cooperation, taking into account all relevant information.

2. The Parties included in Annex I shall pursue limitation or reduction of emissions of greenhouse gases not controlled by the Montreal Protocol from aviation and marine bunker fuels, working through the International Civil

Aviation

Organization and the International Maritime Organization, respectively.

3. The Parties included in Annex I shall strive to implement policies and measures under this Article in such a way as to minimize adverse effects, including the adverse effects of climate change, effects on international trade, and social, environmental and economic impacts on other Parties, especially developing country Parties and in particular those identified in Article 4, paragraphs 8 and 9 of the Convention, taking into account Article 3 of the Convention. The Conference of the Parties serving as the meeting of the Parties to this Protocol may take further action, as appropriate, to promote the implementation of the provisions of this paragraph.

4. The Conference of the Parties serving as the meeting of the Parties to this

Protocol, if it decides that it would be beneficial to coordinate any of the policies and measures in paragraph 1(a) above, taking into account different national circumstances and potential effects, shall consider ways and means to elaborate the coordination of such policies and measures.

Article 3

1. The Parties included in Annex I shall, individually or jointly, ensure that their aggregate anthropogenic carbon dioxide equivalent emissions of the greenhouse gases listed in Annex A do not exceed their assigned amounts, calculated pursuant to their quantified emission limitation and reduction commitments inscribed in Annex B and in accordance with the provisions of this Article, with a view to reducing their overall emissions of such gases by six per cent below 1990 levels in the commitment period 2008 to 2012.

2. Each Party included in Annex I shall, by 2005, have made demonstrable progress in achieving its commitments under this Protocol.

3. The net changes in greenhouse gas emissions from sources and removals by sinks resulting from direct human-induced land-use change and forestry activities, limited to afforestation, reforestation, and deforestation since 1990, measured as verifiable changes in stocks in each commitment period shall be used to meet the commitments in this Article of each Party included in Annex I. The greenhouse gas emissions from sources and removals by sinks associated with those activities shall be reported in a transparent and verifiable manner and reviewed in accordance with Articles 7 and 8.

4. Prior to the first session of the Conference of the Parties serving as the meeting of the Parties to this Protocol, each Party included in Annex I shall provide for consideration by the Subsidiary Body for Scientific and Technological Advice data to establish its level of carbon stocks in 1990 and to enable an estimate to be made of its changes in carbon stocks in subsequent years. The Conference of the Parties serving as the meeting of the Parties to this Protocol shall, at its first session or as soon as practicable thereafter, decide upon modalities, rules and guidelines as to how and which additional human-induced activities related to changes in greenhouse gas emissions and removals in the agricultural soil and land-use change and forestry categories, shall be added to, or subtracted from, the assigned amount for Parties included in Annex I, taking into account uncertainties, transparency in reporting, verifiability, the methodological work of the Intergovernmental Panel on

Climate

Change, the advice provided by the Subsidiary Body for Scientific and Technological Advice in accordance with Article 5 and the decisions of the Conference of the Parties. Such a decision shall apply in the second and subsequent commitment periods.

5. The Parties included in Annex I undergoing the process of transition to a market economy whose base year or period was established pursuant to decision 9/CP.2 of the Conference of the Parties at its second session, shall use that base year or period for the implementation of their commitments under this Article. Any other Party included in Annex I undergoing the process of transition to a market economy which has not yet submitted its first national communication under Article 12 of the Convention may also notify the Conference of the Parties serving as the meeting of the Parties to this Protocol that it intends to use a historical base year or period other than 1990 for the implementation of its commitments under this Article. The Conference of the Parties serving as the meeting of the Parties to this Protocol shall decide on the acceptance of such notification.

6. Taking into account Article 4, paragraph 6, of the Convention, in the implementation of their commitments under this Protocol other than those in this Article, a certain degree of flexibility shall be allowed by the Conference of the Parties serving as the meeting of the Parties to this Protocol to the Parties included in Annex I undergoing the process of transition to a market economy.

7. In the first quantified emission limitation and reduction commitment period, from 2008 to 2012, the assigned amount for each Party included in Annex I shall be equal to the percentage inscribed for it in Annex B of its aggregate anthropogenic carbon dioxide equivalent emissions of the greenhouse gases listed in Annex A in 1990, or the base year or period determined in accordance with paragraph 5 above, multiplied by five.

8. Any Party included in Annex I may use 1995 as its base year for hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride, for the purposes of the calculation referred to in paragraph 7 above.

9. Commitments for subsequent periods for Parties included in Annex I shall be established in amendments to Annex B to this Protocol, which shall be adopted in accordance with the provisions of Article 21. The Conference of the Parties serving as the meeting of the Parties to this Protocol shall initiate the consideration of such commitments at least seven years before the end of the first commitment period mentioned in paragraph 7 above.

10. For the purpose of meeting its commitments under this Article, any Party included in Annex I may participate in emissions trading. The Conference of the Parties shall define the relevant rules and guidelines for verification, reporting and accountability. Such trading shall be supplemental to domestic actions for the purpose of meeting its commitments.

11. Any part of an assigned amount, or any emission reduction units, which a Party acquires from another Party in accordance with the provisions of paragraph 10 above or Article 6 shall be added to the assigned amount for that Party.

12. Any part of an assigned amount, or any emission reduction units, which a Party transfers to another Party in accordance with the provisions of paragraph 10 above or Article 6 shall be subtracted from the assigned amount for that Party.

13. Any certified emission reductions which a Party acquires from another Party in accordance with the provisions of Article 13 shall be added to the assigned amount for that Party.

14. If the emissions of a Party included in Annex I during a commitment period are less than its assigned amount under this Article, this difference shall, on request of that Party, be added to the assigned amount for that Party for subsequent commitment periods.

15. Each Party included in Annex I shall strive to implement the commitments mentioned in paragraph 1 above in such a way as to minimize adverse social, environment and economic impacts on developing country Parties, particularly those identified in Article 4, paragraphs 8 and 9, of the Convention. In line with relevant decisions of the Conference of the Parties on the implementation of those paragraphs, the Conference of the Parties serving as the meeting of the Parties to this Protocol shall, at its first session, consider what actions are necessary to minimize the adverse effects of climate change and/or the impacts of response measures on Parties referred to in those paragraphs. Among the issues to be considered shall be the establishment of funding, insurance and transfer of technology.

Article 4

1. Any Parties included in Annex I that have agreed to jointly fulfil their commitments under Article 3 shall be deemed to have met those commitments provided that their total combined aggregate anthropogenic carbon dioxide equivalent emissions of the greenhouse gases listed in Annex A do not exceed their assigned amounts calculated pursuant to their quantified emission limitation and reduction commitments inscribed in Annex B and in accordance with the provisions of Article 3. The respective emission level allocated to each of the Parties to the agreement shall be set out in that agreement.

2. The Parties to any such agreement shall notify the secretariat of the terms of the agreement on the date of deposit of their instruments of ratification, acceptance, approval or accession. The secretariat shall in turn inform the

Parties and signatories to the Convention of the terms of the agreement.

3. The agreement shall remain in operation for the duration of the commitment period specified in Article 3, paragraph 7.

4. If Parties acting jointly do so in the framework of, and together with, a regional economic integration organization, any alteration in the composition of the organization after adoption of this Protocol shall not affect existing commitments under this Protocol. Any alteration in the composition of the organization shall only apply for the purpose of those commitments under Article 3 that are adopted subsequent to that revision.

5. In the event of failure by the Parties to such an agreement to achieve their total combined level of emission reductions, each Party to such an agreement shall be responsible for its own level of emissions set out in the agreement.

6. If Parties acting jointly do so in the framework of, and together with, a regional economic integration organization which is itself a Party to this Protocol, each member State of that regional economic integration organization individually, and together with the regional economic integration organization acting in accordance with Article 24, shall, in the event of failure to achieve the total combined level of emission reductions, be responsible for its level of emissions as notified in accordance with this Article.

Article 5

1. Each Party included in Annex I shall have in place, no later than one year prior to the start of the first commitment period, a national system for the estimation of anthropogenic emissions by sources and removals by sinks of all greenhouse gases not controlled by the Montreal Protocol. Guidelines for such national systems, which shall incorporate the methodologies specified in paragraph 2 below, shall be decided upon by the Conference of the Parties serving as the meeting of the Parties to this Protocol at its first session.

2. Methodologies for estimating anthropogenic emissions by sources and removals by sinks of all greenhouse gases not controlled by the Montreal Protocol shall be those accepted by the Intergovernmental Panel on Climate Change and agreed upon by the Conference of the Parties at its third session. Where such methodologies are not used, appropriate adjustments shall be applied according to methodologies agreed upon by the Conference of the Parties serving as the meeting of the Parties to this Protocol at its first session. Based on the work of, inter alia, the Intergovernmental Panel on Climate Change and advice provided by the Subsidiary Body for Scientific and Technological Advice, the Conference of the Parties serving as the meeting of the parties to this Protocol shall regularly review and, as appropriate, revise

such methodologies and adjustments, taking fully into account any relevant decisions by the Conference of the Parties. Any revision to methodologies or adjustments shall be used only for the purposes of ascertaining compliance with commitments under Article 3 in respect of any commitment period adopted subsequent to that revision

3. The global warming potentials used to calculate the carbon dioxide equivalence of anthropogenic emissions by sources and removals by sinks of greenhouse gases not controlled by the Montreal Protocol listed in Annex A shall be those accepted by the Intergovernmental Panel on Climate Change and agreed upon by the Conference of the Parties at its third session. Based on the work of, inter alia, the Intergovernmental Panel on Climate Change and advice provided by the Subsidiary Body for Scientific and Technological

Advice,

the Conference of the Parties serving as the meeting of the Parties to this Protocol shall regularly review and, as appropriate, revise the global warming potential of each greenhouse gas, taking fully into account any relevant decisions by the Conference of the Parties. Any revision to a global warming potential shall apply only to those commitments under Article 3 in respect of any commitment period adopted subsequent to that revision.

Article 6

1. For the purpose of meeting its commitments under Article 3, any Party included in Annex I may transfer to, or acquire from, any other such Party emission reduction units resulting from projects aimed at reducing anthropogenic emissions by so or enhancing anthropogenic removals by sinks of greenhouse gases in any sector of the economy, provided that:

- (a) Any such project has the approval of the Parties involved;
- (b) Any such project provides a reduction in emissions by sources, or an enhancement of removals by sinks, that is additional to any that would otherwise occur;
- (c) It does not acquire any emission reduction units if it is not in compliance with its obligations under Articles 5 and 7; and
- (d) The acquisition of omission reduction units shall be supplemental to domestic actions for the purposes of meeting commitments under Article 3.

2. The Conference of the Parties serving as the meeting of the Parties to this Protocol may, at its first session or as soon as practicable thereafter, further elaborate guidelines for the implementation of this Article for verification and reporting.

3. A Party included in Annex I may authorize legal entities to participate, under its responsibility, in actions leading to the generation, transfer or acquisition of this Article of emission reduction units.

4. If a question of implementation by a Party included in Annex I of the requirements referred to in this paragraph is identified in accordance with the relevant provisions of Article 8, transfers and acquisitions of emission reduction units may continue to be made after the question has been identified, provided that any such units may not be used by a Party to meet its commitments under Article 3 until any issue of compliance is resolved.

Article 7

1. Each Party included in Annex I shall incorporate in its annual inventory of anthropogenic emissions by sources and removals by sinks of greenhouse gases not controlled by the Montreal Protocol, submitted in accordance with the relevant decisions of the Conference of the Parties, the necessary supplementary information for the purposes of ensuring compliance with Article 3, to be determined in accordance with paragraph 4 below.

2. Each Party included in Annex I shall incorporate in its national communication, submitted under Article 12 of the Convention, the supplementary information necessary to demonstrate compliance with its commitments under this Protocol, to be determined in accordance with paragraph 4 below.

3. Each Party included in Annex I shall submit the information required under paragraph 1 above annually, beginning with the first inventory due under the Convention for the first year of the commitment period after this Protocol has entered into force for it. Each such Party shall submit the information required under paragraph 2 above as part of the first national communication due under the Convention after this Protocol has entered into force for it and after the adoption of guidelines as provided for in paragraph 4 below. The frequency of subsequent submission of information required under this Article shall be determined by the Conference of the Parties serving as the meeting of the Parties to this Protocol, taking into account any timetable for the submission of national communications decided upon by the Conference of the Parties.

4. The Conference of the Parties serving as the meeting of the Parties to this Protocol shall adopt at its first session, and review periodically thereafter, guidelines for the preparation of the information required under this Article, taking into account guidelines for the preparation of national communications by Parties included in Annex I adopted by the Conference of the Parties. The Conference of the Parties serving as the meeting of the Parties to this Protocol shall also, prior to the first commitment period, decide upon modalities for the

accounting of assigned amounts.

Article 8

1. The information submitted under Article 7 by each Party included in Annex I shall be reviewed by expert review teams pursuant to the relevant decisions of the Conference of the Parties serving as the meeting of the Parties to this Protocol under paragraph 4 below. The information submitted under Article 7, paragraph 1, by each Party included in Annex I shall be reviewed as part of the annual compilation and accounting of emissions inventories and assigned amounts. Additionally, the information submitted under Article 7, paragraph 2, by each Party included in Annex I shall be reviewed as part of the review of communications.

2. Expert review teams shall be coordinated by the secretariat and shall be composed of experts selected from those nominated by Parties to the Convention and, as appropriate, by intergovernmental organizations, in accordance with guidance provided for this purpose by the Conference of the Parties.

3. The review process shall provide a thorough and comprehensive technical assessment of all aspects of the implementation by a Party of this protocol. The expert review teams shall prepare a report to the Conference of the Parties serving as the meeting of the Parties to this Protocol, assessing the implementation of the commitments of the Party and identifying any potential problems in, and factors influencing, the fulfilment of commitments. Such reports shall be circulated by the secretariat to all Parties to the Convention. The secretariat shall list those questions of implementation indicated in such reports for further consideration by the Conference of the Parties serving as the meeting of the Parties to this Protocol.

4. The Conference of the Parties serving as the meeting of the Parties to this Protocol shall adopt at its first session, and review periodically thereafter, guidelines for the review of implementation by expert review teams taking into account the relevant decisions of the Conference of the Parties.

5. The Conference of the Parties serving as the meeting of the Parties to this Protocol shall, with the assistance of the Subsidiary Body for Implementation and, as appropriate, the Subsidiary Body for Scientific and Technological Advice, consider:

(a) The information submitted by the Parties under Article 7 and the reports of the expert reviews thereon conducted under this Article; and

(b) Those questions of implementation listed by the secretariat under paragraph

3 above, as well as any questions raised by Parties.

6. Pursuant to its consideration of the information referred to in paragraph 5 above, the Conference of the Parties serving as the meeting of the Parties to this Protocol shall take decisions on any matter required for the implementation of this Protocol.

Article 9

1. Any signatory or Party to this Protocol not included in Annex I may, at any time, notify the Depositary that it has opted to be bound by this Article. The Depositary shall inform the other signatories and Parties of any such notification.

2. Such notification, supported by an inventory of emissions of greenhouse gases not controlled by the Montreal Protocol, including for the historical base year or period chosen under subparagraph (a) below, and a projection of future emissions, shall include a formal declaration on the following points:

(a) Its chosen historical base year or period for the implementation of subparagraph (b) below; and

(b) The level of limitation or reduction of anthropogenic emissions of greenhouse gases listed in Annex A, as a basket, it is ready to undertake.

3. Where a notification has been made pursuant to paragraphs 1 and 2 above, the secretariat shall include it in the agenda for the following session of the Conference of the Parties serving as the meeting of the Parties to this Protocol which shall decide on the acceptance of such notification.

4. After its acceptance by the Conference of the Parties serving as the meeting of the Parties to this Protocol, a notification by a signatory shall enter into force on the date of entry into force of this Protocol for that State, and a notification by a Party to this Protocol shall enter into force on the ninetieth day after the acceptance of such notification. The commitment under paragraph 2(b) above of Parties acting under this Article shall be inscribed in Annex B.

Article 10

1. The Conference of the Parties serving as the meeting of the Parties to this Protocol shall periodically review this Protocol in the light of the best available scientific information and assessments on climate change and its impacts, as well as relevant technical, social and economic information. Such reviews shall be coordinated with pertinent reviews under the Convention, in particular those required by Article 4, paragraph 2(d), and Article 7, paragraph 2(a), of the

Convention. Based on these reviews, the Conference of the Parties serving as the meeting of the Parties to this Protocol shall take appropriate action.

2. The first review shall take place at the second session of the Conference of the Parties serving as the meeting of the Parties to this Protocol. Further reviews shall take place at regular intervals and in a timely manner.

Article 11

All Parties, taking into account their common but differentiated responsibilities and their specific national and regional development priorities, objectives and circumstances, without introducing any new commitments for Parties not included in Annex I, but reaffirming existing commitments in Article 4, paragraph 1, of the Convention, and continuing to advance the implementation of these commitments in order to achieve sustainable development, taking into account Article 4, paragraphs 3, 5 and 7, of the Convention, shall:

(a) Formulate, where relevant and to the extent possible, cost-effective national, and where appropriate regional programmes to improve the quality of local emission factors, activity data and/or models which reflect the socio-economic conditions of each Party for the preparation and periodic updating of national inventories of anthropogenic emissions by sources and removals by sinks of all greenhouse gases not controlled by the Montreal Protocol, using comparable methodologies to be agreed upon by the Conference of the Parties, and consistent with the guidelines for national communications adopted by the Conference of the Parties;

Alternative A

(b) Formulate, implement, publish and regularly update national and, where appropriate, regional programmes containing measures to mitigate climate change and measures to facilitate adequate adaptation to climate change;

(i) The programmes containing measures shall, inter alia, and to the extent possible and relevant, remove obstacles to the limitation or the abatement of increase of anthropogenic emissions by sources and to the enhancement of removals by sinks, enhance energy efficiency, emphasize market-oriented pricing, as appropriate encourage reforms in the energy sector and regulatory regimes, increase the use of renewable energy, make improvements in the transport and industrial sectors, promote the development and sustainable management of greenhouse gas sinks and reservoirs, improve the integration of climate change considerations into the agriculture and waste management sectors, promote voluntary arrangements with industry, and generally take actions to address climate change that, in the context of their national priorities, objectives and circumstances, are economically justified and can

help address other environmental problems; and

(ii) The programmes containing measures shall, inter alia, and to the extent possible and relevant, deploy adaptation technologies and know-how, develop and implement integrated mountain area plans, develop and implement integrated coastal zone management plans, develop research on impacts of, and adaptation to, climate change, develop and implement related technical capacity building and awareness raising measures promote sustainable management plans for the conservation and enhancement of sinks and reservoirs and ecosystems and develop and implement plans for water resources and agriculture, particularly for countries affected by drought and desertification;

Alternative B

(b) Each developed country Party and each other developed Party included in Annex II to the Convention shall incorporate into its national programmes the quantified emission limitation and reduction objectives and related policies and measures under this Protocol, including details of measures undertaken by them to promote, facilitate and finance transfer of technology, provide new and additional financial resources and assist in meeting costs of adaptation in developing countries. Each developing country Party shall seek to include in its national communication, as appropriate, information on programmes which contain measures that the Party believes contribute to addressing climate change and its adverse impacts, including the abatement of increase in greenhouse gas emissions, and enhancement of and removals by sinks, capacity building and adaptation measures;

(c) Cooperate in the promotion of effective modalities for the development, application and diffusion of, and take all practicable steps to promote, facilitate and finance, as appropriate, the transfer of, or access to, environmentally sound technologies, know-how, practices and processes pertinent to climate change, in particular to developing countries, including the formulation of policies and programmes for the effective transfer of environmentally sound technologies that are publicly owned or in the public domain and the creation of an enabling environment for the private sector, to promote and enhance access to, and transfer of, environmentally sound technologies;

(d) Cooperate in scientific and technical research and promote the maintenance and the development of systematic observation systems and development of data archives to reduce uncertainties related to the climate system, the adverse impacts of climate change and the economic and social consequences of various response strategies, and promote the development and strengthening of endogenous capacities and capabilities to participate in international and intergovernmental efforts, programmes and networks on

research and systematic observation, taking into account Article 5 of the Convention;

(c) Cooperate in and promote at the international level, and, where appropriate, using existing bodies, the development and implementation of education and training programmes, including the strengthening of national capacity building, in particular human and institutional capacities and the exchange or secondment of personnel to train experts in this field, in particular for developing countries, and facilitate at the national level public awareness and public access to information on climate change. Suitable modalities should be developed to implement these activities through the relevant bodies of the Convention taking into account Article 6 of the Convention;

(f) Include in their national communications information on programmes and activities undertaken pursuant to this Article in accordance with relevant decisions of the Conference of the Parties; and

(g) Give full consideration, in implementing the commitments in this Article, to Article 4, paragraph 8, of the Convention.

Article 12

1. In the implementation of Article 11, Parties shall take into account the provisions of Article 4, paragraphs 4, 5, 7, 8 and 9 of the Convention.

2. In the context of the implementation of Article 4, paragraph 1, of the Convention, in accordance with the provisions of Article 4, paragraph 3, and Article 11 of the Convention, and through the operating entity or entities of the financial mechanism of the Convention, the developed country Parties and other developed Parties included in Annex II to the Convention shall:

(a) Provide new and additional financial resources to meet the agreed full costs incurred by developing country Parties in advancing the implementation of existing commitments under Article 4, paragraph 1(a), of the Convention that are covered in Article 11, subparagraph (a); and

(b) Also provide such financial resources, including for the transfer of technology, needed by the developing country Parties to meet the agreed full incremental costs of advancing the implementation of existing commitments in Article 4, paragraph 1, of the Convention that are covered by Article 11 and that are agreed between a developing country Party and the international entity or entities referred to in Article 11 of the Convention, in accordance with that Article.

The implementation of these existing commitments shall take into account the

need for adequacy and predictability in the flow of funds and the importance of appropriate burden sharing among developed country Parties. The guidance to the financial mechanism of the Convention in relevant decisions of the Conference of the Parties, including those agreed before the adoption of this Protocol, shall apply mutatis mutandis to the provisions of this paragraph.

3. The developed country Parties and other developed Parties in Annex II to the Convention may also provide, and developing country Parties avail themselves of, financial resources for the implementation of Article 11, through bilateral, regional and other multilateral channels.

Article 13

1. A clean development mechanism is hereby defined.

2. The purpose of the clean development mechanism shall be to assist Parties not included in Annex I in achieving sustainable development and in contributing to the ultimate objective of the Convention, and to assist Parties included in Annex I in achieving compliance with their quantified emission limitation and reduction commitments under Article 3.

3. Under the clean development mechanism:

(a) Parties not included in Annex I will benefit from project activities resulting in certified emission reductions; and

(b) Parties included in Annex I may use the certified emission reductions accruing from such project activities to contribute to compliance with part of their quantified emission limitation and reduction commitments under Article 3, as determined by the Conference of the Parties serving as the meeting of the Parties to this Protocol.

4. The clean development mechanism shall be subject to the authority and guidance of the Conference of the Parties serving as the meeting of the Parties to this Protocol and be supervised by an executive board of the Parties.

5. Emission reductions resulting from each project activity shall be certified by operational entities to be designated by the Conference of the Parties serving as the meeting of the Parties to this Protocol, on the basis of:

(a) Voluntary participation approved by each Party involved;

(b) Real, measurable, and long-term benefits related to the mitigation of climate change; and

(c) Reductions in emissions that are additional to any that would occur in the absence of the certified project activity.

6. The clean development mechanism shall assist in arranging funding of certified project activities as necessary.

7. The Conference of Parties serving as the meeting of the Parties to this Protocol shall, at its first session, elaborate modalities and procedures with the objective of ensuring transparency, efficiency and accountability through independent auditing and verification of project activities.

8. A share of the proceeds from certified project activities shall be used to cover administrative expenses as well as assist developing country Parties that are particularly vulnerable to the adverse effects of climate change to meet the costs of adaptation.

9. Participation under the clean development mechanism, including in activities mentioned in paragraph 3(a) above and acquisition of certified emission reductions, may involve private and/or public entities, and is to be subject to whatever guidance may be provided by the executive board of the clean development mechanism.

10. Certified emission reductions obtained during the period from the year 2000 up to the beginning of the first commitment period can be used to assist in achieving compliance in the first commitment period.

Article 14

1. The Conference of the Parties, the supreme body of the Convention, shall Serve as the meeting of the Parties to this Protocol.

2. Parties to the Convention that are not Parties to this Protocol may participate as observers in the proceedings of any session of the Conference of the Parties serving as the meeting of the Parties to this Protocol. When the Conference of the Parties serves as the meeting of the Parties to this Protocol, decisions under this Protocol shall be taken only by those that are Parties to it.

3. When the Conference of the Parties serves as the meeting of the Parties to this Protocol, any member of the Bureau of the Conference of the Parties representing a Party to the Convention but, at that time, not a Party to this Protocol, shall be substituted by an additional member to be elected by and from amongst the Parties to this Protocol.

4. The Conference of the Parties serving as the meeting of the Parties to this Protocol shall keep under regular review the implementation of this Protocol and shall make, within its mandate, the decisions necessary to promote its effective implementation. It shall perform the functions assigned to it by this Protocol and shall:

(a) Assess, on the basis of all information made available to it in accordance with the provisions of this Protocol, the implementation of this Protocol by the Parties, the overall effects of the measures taken pursuant to this Protocol, in particular environmental, economic and social effects as well as their cumulative impacts and the extent to which progress towards the objective of the Convention is being achieved;

(b) Periodically examine the obligations of the Parties under this Protocol, giving due consideration to any reviews required by Article 4, paragraph 2(d), and Article 7, paragraph 2, of the Convention, in the light of the objective of the Convention, the experience gained in its implementation and the evolution of scientific and technological knowledge, and in this respect consider and adopt regular reports on the implementation of this Protocol;

(c) Promote and facilitate the exchange of information on measures adopted by the Parties to address climate change and its effects, taking into account the differing circumstances, responsibilities and capabilities of the Parties and their respective commitments under this Protocol;

(d) Facilitate, at the request of two or more Parties, the coordination of measures adopted by them to address climate change and its effects, taking into account the differing circumstances, responsibilities and capabilities of the Parties and their respective commitments under this Protocol;

(e) Promote and guide, in accordance with the objective of the Convention and the provisions of this Protocol, and taking fully into account the relevant decisions by the Conference of the Parties, the development and periodic refinement of comparable methodologies for the effective implementation of

this

Protocol, to be agreed on by the Conference of the Parties serving as the meeting of the Parties to this Protocol;

(f) Make recommendations on any matters necessary for the implementation of this Protocol;

(g) Seek to mobilize additional financial resources in accordance with Article 12, paragraph 2;

(h) Establish such subsidiary bodies as are deemed necessary for the implementation of this Protocol;

(i) Seek and utilize, where appropriate, the services and cooperation of, and information provided by, competent international organizations and intergovernmental and non-governmental bodies; and

(j) Exercise such other functions as may be required for the implementation of this Protocol, and consider any assignment resulting from a decision by the Conference of the Parties.

5. The rules of procedure of the Conference of the Parties and financial procedures of the Convention shall be applied *mutatis mutandis* under this Protocol, except as may be otherwise decided by consensus by the Conference of the Parties serving as the meeting of the Parties to this Protocol.

6. The first session of the Conference of the Parties serving as the meeting of the Parties to this Protocol shall be convened by the secretariat in conjunction with the first session of the Conference of the Parties that is scheduled after the date of the entry into force of this Protocol. Subsequent ordinary sessions of the Conference of the Parties serving as the meeting of the Parties to this Protocol shall be held every year and in conjunction with ordinary sessions of the Conference of the Parties unless otherwise decided by the Conference of the Parties serving as the meeting of the Parties to this Protocol.

7. Extraordinary sessions of the Conference of the Parties serving as the meeting of the Parties to this Protocol shall be held at such other times as may be deemed necessary by the Conference of the Parties serving as the meeting of the Parties to this Protocol, or at the written request of any Party, provided that, within six months of the request being communicated to the Parties by the secretariat, it is supported by at least one third of the Parties.

8. The United Nations, its specialized agencies and the International Atomic Energy Agency, as well as any State member thereof of observers thereto not party to the Convention, may be represented at sessions of the Conference of the Parties serving as the meeting of the Parties to this Protocol as observers. Any body or agency, whether national or international, governmental or non-governmental, which is qualified in matters covered by this Protocol and which has informed the secretariat of its wish to be represented at a session of the Conference of the Parties serving as the meeting of the Parties to this Protocol as an observer, may be so admitted unless at least one third of the Parties present object. The admission and participation of observers shall be subject to the rules of procedure, as referred to in paragraph 5 above.

Article 15

1. The secretariat established by Article 8 of the Convention shall serve as the

secretariat of this Protocol.

2. Article 8, paragraph 2, of the Convention on the functions of the secretariat, and Article 8, paragraph 3, of the Convention on arrangements made for the functioning of the secretariat, shall apply *mutatis mutandis* to this Protocol. The secretariat shall, in addition, exercise the functions assigned to it under this Protocol.

Article 16

1. The Subsidiary Body for Scientific and Technological Advice and the Subsidiary Body for Implementation established by Articles 9 and 10 of the Convention shall serve as, respectively, the Subsidiary Body for Scientific and Technological Advice and the Subsidiary Body for Implementation of this Protocol. The provisions relating to the functioning of these two bodies under the Convention shall apply *mutatis mutandis* to this Protocol. Sessions of the meetings of the Subsidiary Body for Scientific and Technological Advice and the Subsidiary Body for Implementation of this Protocol shall be held in conjunction with the meetings of, respectively, the Subsidiary Body for Scientific and Technological Advice and the Subsidiary Body for Implementation of this Convention.

2. Parties to the Convention that are not Parties to this Protocol may participate as observers in the proceedings of any session of the subsidiary bodies. When the subsidiary bodies serve as the subsidiary bodies of this Protocol, decisions under this Protocol shall be taken only by the Parties to this Protocol.

3. When the subsidiary bodies established by Articles 9 and 10 of the Convention exercise their functions with regard to matters concerning this Protocol, any member of the Bureaux of those subsidiary bodies representing a Party to the Convention but, at that time, not a party to this Protocol, shall be substituted by an additional member to be elected by and from amongst the Parties to this Protocol.

Article 17

The Conference of the Parties serving as the meeting of the Parties to this Protocol shall, as soon as practicable, consider the application to this Protocol of, and modify as appropriate, the multilateral consultative process referred to in Article 13 of the Convention, in the light of any relevant decisions that may be taken by the Conference of the Parties. Any multilateral consultative process that may be applied to this Protocol shall operate without prejudice to the procedures and mechanisms established in accordance with Article 18.

Article 18

The Conference of the Parties serving as the meeting of the Parties to this Protocol shall, at its first session, approve appropriate and effective procedures and mechanisms to determine and to address cases of non-compliance with the provisions of this Protocol, including through the development of an indicative list of consequences, taking into account the cause, type, degree and frequency of non-compliance. Any procedures and mechanisms under this Article entailing binding consequences shall be adopted by means of an amendment to this Protocol.

Article 19

The provision of Article 14 of the Convention on settlement of disputes shall apply *mutatis mutandis* to this Protocol.

Article 20

1. Any party may propose amendments to this Protocol.
2. Amendments to this Protocol shall be adopted at an ordinary session of the Conference of the Parties serving as the meeting of the Parties to this Protocol. The text of any proposed amendment to this Protocol shall be communicated to the Parties by the secretariat at least six months before the meeting at which it is proposed for adoption. The secretariat shall also communicate the text of any proposed amendments to the Parties and signatories to the Convention and, for information, to the Depositary.
3. The Parties shall make every effort to reach agreement on any proposed amendment to this Protocol by consensus. If all efforts at consensus have been exhausted, and no agreement reached, the amendment shall as a last resort be adopted by a three-fourths majority vote of the Parties present and voting at the meeting. The adopted amendment shall be communicated by the secretariat to the Depositary, who shall circulate it to all Parties for their acceptance.
4. Instruments of acceptance in respect of an amendment shall be deposited with the Depositary. An amendment adopted in accordance with paragraph 3 above shall enter into force for those Parties having accepted it on the ninetieth day after the date of receipt by the Depositary of an instrument of acceptance by at least three fourths of the Parties to this Protocol.
5. The amendment shall enter into force for any other Party on the ninetieth day after the date on which that Party deposits with the Depositary its instrument of acceptance of the said amendment.

Article 21

1. Annexes to this Protocol shall form an integral part thereof and, unless otherwise expressly provided, a reference to this Protocol constitutes at the same time a reference to any annexes thereto. Any annexes adopted after the entry into force of this Protocol shall be restricted to lists, forms and any other material of a descriptive nature that is of a scientific, technical, procedural or administrative character.

2. Any Party may make proposals for an annex to this Protocol and may propose amendments to annexes to this Protocol.

3. Annexes to this Protocol and amendments to annexes to this Protocol shall be adopted at an ordinary session of the Conference of the Parties serving as the meeting of the Parties to this Protocol. The text of any proposed annex or amendment to an annex shall be communicated to the Parties by the secretariat at least six months before the meeting at which it is proposed for adoption. The secretariat shall also communicate the text of any proposed annex or amendment to an annex to the Parties and signatories to the Convention and, for information, to the Depositary.

4. The Parties shall make every effort to reach agreement on any proposed annex or amendment to an annex by consensus. If all efforts at consensus have been exhausted, and no agreement reached, the annex or amendment to an annex shall as a last resort be adopted by a three-fourths majority vote of the Parties present and voting at the meeting. The adopted annex or amendment to an annex shall be communicated by the secretariat to the Depositary, who shall circulate it to all Parties for their acceptance.

5. An annex, other than Annex A or B, that has been adopted or amended in accordance with paragraphs 3 and 4 above shall enter into force for all Parties to this Protocol six months after the date of the communication by the Depositary to such Parties of the adoption or amendment of the annex, except for those Parties that have notified the Depositary in writing within that period

of

their non-acceptance of the annex or amendment to the annex. The annex or amendment to an annex shall enter into force for Parties which withdraw their notification of non-acceptance on the ninetieth day after the date on which withdrawal of such notification has been received by the Depositary.

6. If the adoption of an annex or an amendment to an annex involves an amendment to this Protocol, that annex or amendment to an annex shall not enter into force until such time as the amendment to this Protocol enters into force.

7. Amendments to Annexes A and B to this Protocol shall be adopted and enter into force in accordance with the procedure set out in Article 20, provided that any amendments to Annex B shall be adopted only with the written consent of the Party concerned.

Article 22

1. Each Party shall have one vote, except as provided for in Paragraph 2 below.

2. Regional economic integration organizations, in matters within their competence, shall exercise their right to vote with a number of votes equal to the number of their member States which are Parties to this Protocol. Such an organization shall not exercise its right to vote if any of its member States exercises its right, and vice versa.

Article 23

The Secretary-General of the United Nations shall be the Depositary of this Protocol.

Article 24

1. This Protocol shall be open for signature and subject to ratification, acceptance or approval by States and regional economic integration organizations which are Parties to the Convention. It shall be open for signature at United Nations Headquarters in New York from 16 March 1998 to 15 March 1999. This Protocol shall be open for accession from the day after the date on which it is closed for signature. Instruments of ratification, acceptance, approval or accession shall be deposited with the Depositary.

2. Any regional economic integration organization which becomes a Party to this Protocol without any of its member States being a Party shall be bound by all the obligations under this Protocol. In the case of such organizations, one or more of whose member States is a Party to this Protocol, the organization and its member States shall decide on their respective responsibilities for the performance of their obligations under this Protocol. In such cases, the organization and the member States shall not be entitled to exercise rights under this Protocol concurrently.

3. In their instruments of ratification, acceptance, approval or accession, regional economic integration organizations shall declare the extent of their competence with respect to the matters governed by this Protocol. These organizations shall also inform the Depositary, who shall in turn inform the Parties, of any substantial modification in the extent of their competence.

Article 25

1. this Protocol shall enter into force on the ninetieth day after the date on which not less than 55 Parties to the Convention, incorporating Parties included in Annex I which accounted in total for at least 55 per cent of the total carbon dioxide emissions for 1990 of the Parties included in Annex I, have deposited their instruments of ratification, acceptance, approval or accession.

2. For the purposes of this Article, "the total carbon dioxide emissions for 1990 of the Parties included in Annex I" means the amount communicated on or before the date of adoption of this Protocol by the Parties included in Annex I in their first national communications submitted in accordance with Article 12 of the Convention.

3. For each State or regional economic integration organization that ratifies, accepts or approves this Protocol or accedes thereto after the conditions set out in paragraph 1 above for the entry into force have been fulfilled, this

Protocol

shall enter into force on the ninetieth day following the date of deposit of its instrument of ratification, acceptance, approval or accession.

4. For the purposes of this Article, any instrument deposited by a regional economic integration organization shall not be counted as additional to those deposited by States members of the organization.

Article 26

No reservations may be made to this Protocol.

Article 27

1. At any time after three years from the date on which this Protocol has entered into force for a Party, that Party may withdraw from this Protocol by giving written notification to the Depositary.

2. Any such withdrawal shall take effect upon expiry of one year from the date of receipt by the Depositary of the notification of withdrawal, or on such later date as may be specified in the notification of withdrawal.

3. Any Party that withdraws from the Convention shall be considered as also having withdrawn from this Protocol.

Article 28

The original of this Protocol, of which the Arabic, Chinese, English, French, Russian and Spanish texts are equally authentic, shall be deposited with the

Secretary-General of the United Nations.

Done at Kyoto this tenth day of December one thousand nine hundred and ninety-seven.

Annex A

Greenhouse gases
Carbon dioxide (CO₂)

Methane (CH₄)

Nitrous oxide (N₂O)

Hydrofluorocarbons (HFCs)

Perfluorocarbons (PFCs)

Sulphur hexafluoride (SF₆)

Sectors/source categories

Energy

Fuel combustion

Energy industries

Manufacturing industries and construction

Transport

Other sectors

Other

Fugitive emissions from fuels

Solid fuels

Oil and natural gas

Other

Industrial processes

Mineral products

Chemical industry

Metal production

Other production

Production of halocarbons and sulphur hexafluoride

Consumption of halocarbons and sulphur hexafluoride

Other

Solvent and other product use

Agriculture

Enteric fermentation

Manure management

Rice cultivation

Agricultural soils

Prescribed burning of savannas

Field burning of agricultural residues

Other

Waste

Solid waste disposal on land

Wastewater handling

Waste incineration

Other

Annex B

Party Quantified emission

limitation or reduction
commitments (percentage change
from 1990)

Australia

(to be completed)

Austria

Belgium

Bulgaria*

Canada

Croatia*

Czech Republic*

Denmark

Estonia*

European Community

Finland

France

Germany

Greece

Hungary*

Iceland

Ireland

Italy

Japan

Latvia*

Liechtenstein

Lithuania*

Luxembourg

Monaco

Netherlands

New Zealand

Norway

Poland*

Portugal

Romania*

Russian Federation*

Slovakia*

Slovenia*

Spain

Sweden

Switzerland

Ukraine*

United Kingdom of Great Britain and
Northern Ireland

United States of America

*Countries that are undergoing the process of transition to a market

economy.

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RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Michele Jolin (CN=Michele Jolin/OU=CEA/O=EOP [CEA])

CREATION DATE/TIME:11-DEC-1997 14:24:24.00

SUBJECT: revised climate change 1-pager

TO: Randall W. Lutter (CN=Randall W. Lutter/OU=CEA/O=EOP @ EOP [CEA])
READ:UNKNOWN

TO: Jeffrey A. Frankel (CN=Jeffrey A. Frankel/OU=CEA/O=EOP @ EOP [CEA])
READ:UNKNOWN

TO: Adele C. Morris (CN=Adele C. Morris/OU=CEA/O=EOP @ EOP [CEA])
READ:UNKNOWN

TO: Joseph E. Aldy (CN=Joseph E. Aldy/OU=CEA/O=EOP @ EOP [CEA])
READ:UNKNOWN

TO: Janet L. Yellen (CN=Janet L. Yellen/OU=CEA/O=EOP @ EOP [CEA])
READ:UNKNOWN

TEXT:

----- Forwarded by Michele Jolin/CEA/EOP on 12/11/97
02:23 PM -----

Russell W. Horwitz
12/11/97 02:01:28 PM
Record Type: Record

To: See the distribution list at the bottom of this message
cc:
Subject: revised climate change 1-pager

Send this one out if you haven't sent the earlier version out already. If
you have, no worries -- it contains minor revisions. thanks.

Message Sent

To: _____
David S. Beaubaire/WHO/EOP
Anne E. McGuire/WHO/EOP
Kris M Balderston/WHO/EOP
Peter O'Keefe/WHO/EOP
Cheryl M. Carter/WHO/EOP
Suzanne Dale/WHO/EOP

Barry J. Toiv/WHO/EOP
Kristen E. Panerali/OPD/EOP
Jake Siewert/OPD/EOP
Peter R. Orszag/OPD/EOP
Shelley N. Fidler/CEQ/EOP
Michele Jolin/CEA/EOP
Alice H. Williams/CEA/EOP

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

ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:

Unable to convert ARMS_EXT:[ATTACH.D21]MAIL43372544E.316 to ASCII,
The following is a HEX DUMP:

**THE HISTORIC KYOTO AGREEMENT:
A CRITICAL FIRST STEP IN A GLOBAL EFFORT TO ADDRESS GLOBAL
WARMING
*December 11, 1997***

The Kyoto agreement represents an historic and unprecedented step to reduce the threat of global warming in an environmentally strong and economically sound way. It involves 160 nations, and recognizes the crucial importance of specific steps to address climate change. The leadership offered by the President and Vice President allowed this agreement to be completed -- and generations from now, the agreement will be remembered as establishing the core elements of a strong, realistic, and legally binding framework.

- **Target and Timetable:** The United States agreed to a binding target of reducing greenhouse gas emissions to 7 percent below a baseline based on 1990 levels by 2008-2012. The agreement is based on a somewhat different accounting system -- so that the 7 percent reduction is roughly equivalent to the President's initial proposal.
- **Market-Based:** The agreement reflects an historic emphasis on market-based mechanisms to address an environmental problem. In addition to the Clean Development Mechanism, the agreement includes a framework for emissions trading among industrialized countries -- producing the most efficient means of reducing emissions.
- **Coverage of Agreement:** The agreement covers six greenhouse gases, which had been a priority of the United States but had not been included in the proposals from other major economies. The inclusion of all six gases represents a major U.S. victory in the agreement and ensures that the environment will be protected against all major greenhouse gases.
- **Joint Implementation:** The agreement includes a Clean Development Mechanism, that will allow the types of joint implementation projects that will benefit U.S. businesses and allow developing countries to grow in a more energy efficient way. The mechanism gives U.S. companies credit for improving energy efficiency in developing countries.
- **Developing Country Participation:** Global warming is a global problem requiring a global solution. We have therefore adopted a two-step process to this problem. This agreement locks in hard commitments by the developed countries, as well as some commitments by the developing countries (such as on the Clean Development Mechanism). But the President has made very clear that the United States would not take on legally binding targets until there is meaningful participation by developing countries. We will be working hard over the coming months and years to secure that

participation.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Janet L. Yellen (CN=Janet L. Yellen/OU=CEA/O=EOP [CEA])

CREATION DATE/TIME:15-DEC-1997 18:22:08.00

SUBJECT: Re: WEB piece

TO: Randall W. Lutter (CN=Randall W. Lutter/OU=CEA/O=EOP @ EOP [CEA])

READ:UNKNOWN

TEXT:

Thank you for the suggestion. Unfortunately, our WEB with POTUS has been cancelled for tomorrow. I think that congestion pricing and per mile auto insurance pricing are both attractive from an environmental perspective and I hope, when we get back on the schedule after Christmas, that we can talk about these ideas with the President.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Janet L. Yellen (CN=Janet L. Yellen/OU=CEA/O=EOP [CEA])

CREATION DATE/TIME:15-DEC-1997 08:45:08.00

SUBJECT: Adele Morris Letter of Reference

TO: Alice H. Williams (CN=Alice H. Williams/OU=CEA/O=EOP @ EOP [CEA])

READ:UNKNOWN

TEXT:

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

ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:

Unable to convert ARMS_EXT:[ATTACH.D33]MAIL40152384F.316 to ASCII,
The following is a HEX DUMP:

December 15, 1997

Letter of Recommendation for Adele Morris

The purpose of this letter is to recommend Adele Morris for a teaching and/or research position in the fields of agricultural/natural resource economics, public finance, and applied microeconomics. Adele is bright, independent-minded, highly motivated, and extraordinarily collegial. I believe that she will be an outstanding teacher, a productive researcher and a solid addition to any department.

I have worked closely with Adele at the Council of Economic Advisers since September 1997 and have been thoroughly impressed by her talents. We recruited Adele to the CEA from OMB's Office of Regulatory Affairs, where her responsibilities focused on agricultural policy. Adele's knowledge of her field, her mastery of the structure of the regulatory process, her penchant for applied policy analysis and her extraordinarily effective personal style convinced us that she would be a great asset to the CEA. Unfortunately, we had already filled our one position in the field of agriculture. Instead, we offered Adele the job of senior economist for environmental issues--an extremely challenging assignment during a period when environmental policy, particularly issues relating to global warming Clean Air, Clean Water and land use, have been top Administration priorities. We recognized that Adele would need to run fast to get up to speed on topics that were outside of her established area of expertise.

Our confidence that Adele would perform admirably has not been misplaced. Adele quickly established herself as a key member of the Administration climate change team, contributing analytically to the analysis and development of policy options for the President. Adele made particularly important contributions to the economic analysis of alternative target and timetable options and the design of an international emissions trading scheme. In addition to her work on climate change, Adele represents the CEA on a wide range of other environmental and regulatory issues including Superfund and the Children's environmental health initiative. This fall, Adele has also contributed to the formulation of an Administration position on legislation governing the use of cost-benefit analysis in the evaluation and design of regulations. Her comments have served to strengthen a pending bill which seeks to insure that important regulatory initiatives receive appropriate cost benefit analysis prior to implementation. In all cases, Adele has proven exceptional in her ability to analyze issues, to communicate effectively both orally and in writing, and to function independently.

In addition to her involvement in interagency policy processes Adele contributes articles and special analyses to our *Weekly Economic Briefing of the President*--a document that the CEA prepares on a weekly basis for the President and top level members of the Administration economic team to keep them informed about important trends and research relating to the economy and policy. This written document forms the basis for weekly oral briefings of the President. Adele also contributed heavily to the chapter of this year's *Economic Report of the*

President concerning developments in the areas of health and the environment.

Adele has brought intelligence, analytic talent and sheer perserverance to her work at the Council. On top of that, she has added measurably to the collegiality of our organization. Her CEA colleagues all value Adele's enthusiasm, her sense of teamwork and her unfailing good spirit. I believe that the same qualities that have made Adele a success at the Council make her an outstanding candidate for a faculty/research position.

Sincerely,

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Janet L. Yellen (CN=Janet L. Yellen/OU=CEA/O=EOP [CEA])

CREATION DATE/TIME:16-DEC-1997 11:03:55.00

SUBJECT: Chapter 7 of the ERP

TO: Michele Jolin (CN=Michele Jolin/OU=CEA/O=EOP @ EOP [CEA])

READ:UNKNOWN

TEXT:

I have quickly reviewed Chapter 7 and feel it is ready to be sent out again. The major problem with the Chapter at this stage is that it is too long. I think we should chop it quite a bit, but that should not stand in the way of sending it out for a second review.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Joseph E. Aldy (CN=Joseph E. Aldy/OU=CEA/O=EOP [CEA])

CREATION DATE/TIME:16-DEC-1997 12:21:55.00

SUBJECT: GCC modeling

TO: Randall W. Lutter (CN=Randall W. Lutter/OU=CEA/O=EOP @ EOP [CEA])
READ:UNKNOWN

TO: Jeffrey A. Frankel (CN=Jeffrey A. Frankel/OU=CEA/O=EOP @ EOP [CEA])
READ:UNKNOWN

TO: ray.squitieri (ray.squitieri @ treas.sprint.com @ inet [UNKNOWN])
READ:UNKNOWN

TO: Adele C. Morris (CN=Adele C. Morris/OU=CEA/O=EOP @ EOP [CEA])
READ:UNKNOWN

TO: Janet L. Yellen (CN=Janet L. Yellen/OU=CEA/O=EOP @ EOP [CEA])
READ:UNKNOWN

TEXT:

Richard Richels called me today. We spoke for a while about Kyoto (he's depressed). He told me that he and Alan Manne were going to do some analyses on the Kyoto protocol. Further, he had a conversation with John Weyant (EMF director) about another EMF round to assess Kyoto. Also, Richard expressed significant concern about leakage.

Richard specifically asked me to let him know if there were any issues or ideas that we would like to have modeled. If you have any ideas, let me know and I will relay them to Richard. Thanks,

Joe

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Michele Jolin (CN=Michele Jolin/OU=CEA/O=EOP [CEA])

CREATION DATE/TIME:17-DEC-1997 16:47:59.00

SUBJECT: VP's office and AutoChoice memo

TO: Janet L. Yellen (CN=Janet L. Yellen/OU=CEA/O=EOP @ EOP [CEA])
READ:UNKNOWN

CC: Aaron S. Edlin (CN=Aaron S. Edlin/OU=CEA/O=EOP @ EOP [CEA])
READ:UNKNOWN

TEXT:

Jon Orszag is ok with the CEA sending the AutoChoice memo over to the VPs office, as long as it includes a cover memo saying that there is a NEC and DPC policy process discussing it. I also mentioned that Aaron may go talk to Don Gips. I've passed this info on to Aaron.

mj

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Rebecca M. Blank (CN=Rebecca M. Blank/OU=CEA/O=EOP [CEA])

CREATION DATE/TIME:18-DEC-1997 12:24:45.00

SUBJECT: regional unemployment data

TO: Janet L. Yellen (CN=Janet L. Yellen/OU=CEA/O=EOP @ EOP [CEA])

READ:UNKNOWN

TO: Jeffrey A. Frankel (CN=Jeffrey A. Frankel/OU=CEA/O=EOP @ EOP [CEA])

READ:UNKNOWN

CC: Lisa D. Branch (CN=Lisa D. Branch/OU=CEA/O=EOP @ EOP [CEA])

READ:UNKNOWN

CC: Steven N. Braun (CN=Steven N. Braun/OU=CEA/O=EOP @ EOP [CEA])

READ:UNKNOWN

TEXT:

As you know from Steven and Lisa's exchange, the BLS is going to be releasing two regional unemployment reports starting in March -- one on state and regional unemployment rates and one on metro-area unemployment rates. Before these were combined into one release (this primarily means that the state unemployment rates will get released in a more timely fashion.)

We currently write a statistical release that discusses the state unemployment rates (which Amy has been writing.) We have historically not mentioned the metro unemployment data in that memo. My proposal would be to continue to write the state unemployment rate memo as we've been doing, and not to write a separate memo on the metro unemployment rates when those are separately released. (I've talked with Steve about this and believe that he's in agreement.)

Reactions?

Becky

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Rebecca M. Blank (CN=Rebecca M. Blank/OU=CEA/O=EOP [CEA])

CREATION DATE/TIME:18-DEC-1997 10:04:43.00

SUBJECT: NAICS initiative

TO: Janet L. Yellen (CN=Janet L. Yellen/OU=CEA/O=EOP @ EOP [CEA])
READ:UNKNOWN

CC: Michele Jolin (CN=Michele Jolin/OU=CEA/O=EOP @ EOP [CEA])
READ:UNKNOWN

CC: Jeffrey A. Frankel (CN=Jeffrey A. Frankel/OU=CEA/O=EOP @ EOP [CEA])
READ:UNKNOWN

Alice H. Williams (CN=Alice H. Williams/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TEXT:
Janet --

I just received a copy of the memo to you about the new NAICS initiative, rebenchmarking all of the industrial classifications. I assume Steve is the logical "agency representative" to the working group, if he's willing to do this. I'd also be happy to be the designated member involved with the project, if you don't have other plans for this.

Becky

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Janet L. Yellen (CN=Janet L. Yellen/OU=CEA/O=EOP [CEA])

CREATION DATE/TIME:19-DEC-1997 17:56:17.00

SUBJECT: asset imputation

TO: Rebecca M. Blank (CN=Rebecca M. Blank/OU=CEA/O=EOP @ EOP [CEA])

READ:UNKNOWN

TEXT:

----- Forwarded by Janet L. Yellen/CEA/EOP on 12/19/97
05:56 PM -----

Aaron S. Edlin
12/19/97 04:37:21 PM
Record Type: Record

To: Robert M. Shireman/OPD/EOP
cc: Janet L. Yellen/CEA/EOP, Jonathan.Gruber @ treas.sprint.com
Subject: asset imputation

Bob,

I have discovered, together with my colleagues here at the CEA, that asset imputation, particularly from a single year's income may have an unfortunate consequence.

Blacks of a given income have substantially lower assets than whites. In 1993, Black households with incomes between one and two thousand dollars a month had the only \$3400 in assets compared to white households with similar incomes who had \$27,000.

Computing assets from income might therefore have a disparate adverse impact upon Black households. Likewise, it could affect Black enrollment.

It is possible that this phenomenon might disappear or be less severe if more years' income were included.

I have spoken with Janet Yellen, and we both think that we really need to discuss these issues fully before proceeding.

-- Aaron

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Joseph E. Aldy (CN=Joseph E. Aldy/OU=CEA/O=EOP [CEA])

CREATION DATE/TIME:19-DEC-1997 17:19:04.00

SUBJECT: Summers op-ed on GCC trading and JI

TO: Adele C. Morris (CN=Adele C. Morris/OU=CEA/O=EOP @ EOP [CEA])

READ:UNKNOWN

TO: Jeffrey A. Frankel (CN=Jeffrey A. Frankel/OU=CEA/O=EOP @ EOP [CEA])

READ:UNKNOWN

TO: Randall W. Lutter (CN=Randall W. Lutter/OU=CEA/O=EOP @ EOP [CEA])

READ:UNKNOWN

TO: Michele Jolin (CN=Michele Jolin/OU=CEA/O=EOP @ EOP [CEA])

READ:UNKNOWN

TO: Janet L. Yellen (CN=Janet L. Yellen/OU=CEA/O=EOP @ EOP [CEA])

READ:UNKNOWN

TEXT:

I just got off the phone again with Ben Jones. He said he will incorporate our comments, but that the op-ed is on hold over there -- apparently, there is an issue about timing (he said that there is a concern that it might look odd for Larry to submit an op-ed on GCC when the Asian currencies issues is on the front page every day).

FYI, regarding our comment on domestic emissions trading, he will change it to explicitly state that the U.S. will implement a permit trading program. However, since the allocation scheme has not been decided, it will not mention the opportunity for permit auctions and revenue recycling. Regarding our comment about electricity restructuring, he will fluff up the statement about the % of emissions reduction expected with deregulation (since 5% is probably too high, and given that the Administration still has not closed on this issue, it is premature to state a specific number).

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Randall W. Lutter (CN=Randall W. Lutter/OU=CEA/O=EOP [CEA])

CREATION DATE/TIME:22-DEC-1997 14:19:11.00

SUBJECT: Possible extension of my assignment at CEA

TO: Janet L. Yellen (CN=Janet L. Yellen/OU=CEA/O=EOP @ EOP [CEA])

READ:UNKNOWN

CC: Michele Jolin (CN=Michele Jolin/OU=CEA/O=EOP @ EOP [CEA])

READ:UNKNOWN

Donald R. Arbuckle (CN=Donald R. Arbuckle/OU=OMB/O=EOP [OMB])

READ:UNKNOWN

TEXT:

On Friday I spoke with Art Fraas, my direct supervisor at OMB, about extending my assignment at CEA. He said that he, and Don Arbuckle, who is Sally Katzen,s deputy, would be willing to let me continue my detail at CEA, provided that I take on responsibility for writing part of the OMB Report to Congress on the costs and benefits of federal regulations under the Steven,s Amendment.

The Report is an interesting and specific project and is due to be submitted to Congress in September. I think that having responsibility for a large part of it would still allow me to maintain a productive and mutually advantageous workload here at the CEA. Therefore I would like to go ahead with this proposal, if it could be worked out.

I would suggest making the duration of my extension 6 months, i.e., until July 1.

I would suggest that the next step is for you to contact Sally to seek her support and to suggest a final date for me to return to OMB. You mentioned in our last discussion on this topic that you had offered to pay part of my salary, and it may be useful to reiterate this idea.

Please let me know how your discussions with Sally turn out.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Jeffrey A. Frankel (CN=Jeffrey A. Frankel/OU=CEA/O=EOP [CEA])

CREATION DATE/TIME:23-DEC-1997 09:43:31.00

SUBJECT: noon meeting

TO: Janet L. Yellen (CN=Janet L. Yellen/OU=CEA/O=EOP @ EOP [CEA])

READ:UNKNOWN

CC: Michele Jolin (CN=Michele Jolin/OU=CEA/O=EOP @ EOP [CEA])

READ:UNKNOWN

TEXT:

Based on my conversations with Gruber, it sounds like the purpose of the noon meeting in Sperling's office may be to discuss the economic analysis. Eizenstat says he will have to testify. I continue to believe that if someone from the Economics team is required, Larry will do it. I very much doubt that anyone will force you to testify. I think you have already made your position very clear to everyone who will be in the room.

That said, we might want to try to be of help to the others (tho it is your decision to what extent -- and at what level -- we want to be involved). In that spirit, and to help us think about what we might want to get out of today's meeting, I have written down a list of three questions, with alternative possible answers to each.

Possible Criteria:

- Make best case possible (without falsehood)
- Best case possible that is broadly consistent with studies/memos written over 10/96-10/97.
- Release studies/memos written over 10/96-10/97.
- Release no numbers.

What kind of number is most useful bottom-line?

- Cost-benefit estimate
- Cost estimate in % of GDP
- Cost estimate (e.g., in terms of price per ton of carbon)

Possible margins on which to push, in a cost-benefit type analysis (while emphasizing uncertainties in any case)

- Reduce costs by international trading:
 - With some limits
 - Among all Annex I countries -- no limits
 - Among Annex I countries excluding EU (umbrella)
 - Among all countries including LDCs (could call it &ideal JI8 or &full LDC participation8)
 - Among all countries including LDCs (excluding EU)
- Generate revenues from auction of emission permits, and recycle revenues by cutting taxes on capital and other distorting taxes
- Optimistic assumptions about response of technology and consumption patterns to prices

- Optimistic assumption about response to R&D spending/tax cuts.
- Estimates of probability and cost of future climate disasters, and rate at which they are discounted
- Non-climate benefits: reduced air pollution, congestion, etc.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Charles F. Stone (CN=Charles F. Stone/OU=CEA/O=EOP [CEA])

CREATION DATE/TIME:24-DEC-1997 11:43:46.00

SUBJECT: some stuff for Ch. 1

TO: Jeremy B. Rudd (CN=Jeremy B. Rudd/OU=CEA/O=EOP @ EOP [CEA])
READ:UNKNOWN

TO: Janet L. Yellen (CN=Janet L. Yellen/OU=CEA/O=EOP @ EOP [CEA])
READ:UNKNOWN

TEXT:

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

ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:

Unable to convert ARMS_EXT:[ATTACH.D50]MAIL493624755.316 to ASCII,
The following is a HEX DUMP:

Chapter One

Achieving the Benefits of a High-Pressure Economy

In January 1998, the U.S. economy entered its 82nd consecutive month of economic expansion with excellent prospects for continued growth with low unemployment and low inflation. It is tempting for policymakers to take credit for this success. And a case can be made that pursuit of credible deficit reduction and a monetary policy that has allowed the economy to grow have been important contributors to the expansion. But the main credit for this economic success goes to American workers and American businesses, who have risen to the challenges of a new trade- and technology-driven global economy. A mere 6 years ago, the challenges were more apparent than the successes. Since January 1993, however, 14 million new jobs have been created, the unemployment rate has fallen to below 5 percent, economic growth has been propelled by investment and exports, American workers are the most productive in the world, and American businesses are once again leading the world in cutting-edge industries like semiconductors, supercomputers, and biotechnology.

One of the most notable successes of this expansion has been the ability to achieve low rates of unemployment without rising inflation. The overall unemployment rate has remained at or below 5 percent since May 1997, the first time it has dropped below 5 percent in 24 years. The unemployment rate among African-Americans, which has historically stayed stuck at double-digit levels, has been hovering near its lowest level in over two decades. In the best way, ours is currently a “high-pressure” economy, in which high growth and low unemployment are combined with low and stable inflation.

It is difficult to oversell the economic and social significance of a sustained return to full employment. A tight labor market encourages participation by those who might otherwise be forced to sit on the sidelines, and makes it easier to absorb less-productive workers—such as those who are less-skilled, or younger workers—into the workforce. This gives labor-market entrants much-needed job training, including the skills required in order to hold down a job successfully in the future. It seems plausible that short-term economic conditions can affect long-term structural unemployment, and although the idea that the natural rate of unemployment can increase as a result of a recession is generally used to explain labor-market conditions in European countries, the same phenomenon might well exist in the United States, albeit perhaps in a less widespread and more hidden form. Running a high-pressure economy, therefore, may be one of the surest ways to ensure that we do not consign a large fraction of our citizens to long-term joblessness and economic marginalization.

We have recently begun to realize some benefits along these lines in the form of overall gains in living standards being extended to all Americans, especially those at the bottom of the income distribution. The poverty rate fell to 13.7 percent in 1996, down from 15.1 percent in 1993. (Note that these figures are based on pretax income only; if the effects of the Earned Income Tax Credit are factored in, the decline in the poverty rate has been even larger.) Moreover, the poverty rate for African-Americans is at an historical low. After two decades of widening income inequality, we have begun to see some signs of a turnaround. In 1996, income grew in each fifth of the distribution and the largest percentage increase went to the poorest members of our society. As was the case in the 1960s, a rising tide is once again lifting all the boats.

A high-pressure economy is also necessary if we are to be successful in moving current

welfare recipients into the workforce. Early, indirect evidence here is also encouraging: employment and participation rates among women who maintain families (about 61 percent of whom have children under 18) have increased following the institution of welfare-reform measures. This is not to say that all of the improvement can be tied to the economy's strength, however--policy appears to be having an effect also, as we can see from the fact that the greatest acceleration in employment rates occurred among those single women who were most likely to be affected by welfare reform, namely, single mothers with young children. Nevertheless, an economy in which job opportunities are plentiful plays a crucial part in aiding the transition from welfare to work.

The benefits of a high-pressure economy are substantial, but they cannot be taken for granted. The success of Americans in adapting to the new economy in which they find themselves has been remarkable, but that success and the current strong condition of the economy cannot be taken for granted either. These developments do not herald the end of inflation or the conquering of the business cycle. There will still be ups and downs and they will demand action. This Administration has put in place a set of policies that has allowed the economy to grow and flourish—in particular by getting the Nation's fiscal house in order. But we must continue to pursue sound policies aimed at opening world markets and making sure that all Americans, regardless of age or origin, have the skills they need to prosper in a world of change and opportunity.

THE ADMINISTRATION'S ECONOMIC STRATEGY

The enactment of the Employment Act of 1946, which created the Council of Economic Advisers, gave the Federal government responsibility for stabilizing fluctuations in the economy in the short run and promoting strong economic growth with low unemployment in the long run. This Administration's pursuit of those goals has been based on a strategy that has focused on getting the fundamentals right—reducing the budget deficit, investing in the American people, and opening world markets. These were the right policies for encouraging the job creation needed to move the economy to full employment and they are the right policies for attacking the longer-term problems that have plagued the economy since the early 1970s—sluggish productivity growth and widening income inequality. But there is more to the Administration's economic philosophy than can be measured by aggregate economic statistics. Getting the fundamentals right means removing barriers that block individuals from realizing their potential; it means promoting their sense of individual responsibility and giving them the tools to succeed. Getting the fundamentals right means promoting a sense of community, which includes racial harmony and a sense of responsibility for our children. It means encouraging personal commitment to helping others and ensuring national prosperity.

The key economic milestones reached in 1997 indicate the soundness of the policy course set in 1993. At that time, the economy was just beginning to recover from the 1990-91 recession and the Federal budget deficit had ballooned to \$290 billion. The linchpin of the Administration's strategy was a deficit reduction plan that was large enough to be credible and achieve substantial deficit reduction over the longer term, yet balanced and gradual enough to allow the economy to gather strength and move toward full employment in the shorter term. The success of this program rested on achieving an interest rate environment conducive to

investment that would allow the economy to grow in the face of otherwise contractionary deficit reductions. This, in turn, required that financial markets be forward looking and (correctly) anticipate an appropriately accommodative monetary policy. In large measure, that is just what happened.

Long-term interest rates fell to 25-year lows in 1993 and economic growth began to pick up. The expansion of output and jobs that characterized the second half of 1993 persisted and strengthened in 1994, with very strong growth in business fixed investment a key factor driving the expansion. This strong growth induced a series of monetary policy tightenings over the course of 1994, which were reflected in more moderate growth in 1995.

In retrospect, 1995 may have been the pause that refreshes. At the beginning of 1994, a number of observers had begun to express concern that continued strong economic growth might soon overheat the economy, even though inflation was relatively quiescent. Prevailing wisdom about the relationship between inflation and the unemployment rate suggested that inflation would begin to rise if the unemployment rate dropped below 6 percent, and it had already fallen to 6.4 percent by the end of 1993. Thus, the increase in short-term interest rates over the course of 1994 and early 1995 could be seen as an attempt to restrain demand pressures and hold growth close to its long-term potential. After falling to 5.4 percent by the end of 1994, the unemployment rate remained relatively flat through 1995. Economic growth picked up in 1996, exceeding expectations, and strong growth has continued through 1997. This strong growth has produced a high-pressure economy conducive to overcoming the longer-term problems of growth and distribution that built up in the 1970s and 1980s.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Jeffrey A. Frankel (CN=Jeffrey A. Frankel/OU=CEA/O=EOP [CEA])

CREATION DATE/TIME:24-DEC-1997 11:27:24.00

SUBJECT: proposed CEA-hosted mtg. on E.Asia

TO: Janet L. Yellen (CN=Janet L. Yellen/OU=CEA/O=EOP @ EOP [CEA])

READ:UNKNOWN

CC: Michele Jolin (CN=Michele Jolin/OU=CEA/O=EOP @ EOP [CEA])

READ:UNKNOWN

CC: Jon D. Haveman (CN=Jon D. Haveman/OU=CEA/O=EOP @ EOP [CEA])

READ:UNKNOWN

TEXT:

Janet,

The more I think about this idea, the more I like it. Pursuant to our discussion, I have written up possible lists of people to invite and topics to be discussed (attached). Both lists could be narrowed considerably, if desired. But I would propose inviting a fairly large number of people, so that we don't have to worry about scheduling conflicts. (I.e., whoever can't make it can't make it.)

I'd propose trying to do it in early January. But this would of course require that you decide you are comfortable with the one-day diversion of CEA resources away from the ERP.

What do you think?

JF===== ATTACHMENT 1 =====

ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:

Unable to convert ARMS_EXT:[ATTACH.D10]MAIL44961475Q.316 to ASCII,
The following is a HEX DUMP:

JF 12/24/97

Possible CEA-hosted meeting to talk about East Asia

Suggested list of invitees

other in-town:

Fred Bergsten
Guillermo Calvo
Bill Cline
Barry Eichengreen
Stan Fischer
Morris Goldstein
Carmen Reinhart
Joe Stiglitz
John Williamson

[Stijn Claessens
Charles Dallara]

government:

Ted Truman, et al
Larry Summers, et al
Dan Tarullo, et al
[NSC, State, Commerce...?]

out-of-town

Rudy Dornbusch
Peter Kenen
Paul Krugman
Jeff Sachs

[Brad DeLong
Ken Froot
Ken Rogoff]

Possible topics to be discussed

Origins of the crisis

1996 slowdown in export markets

Thailand (May-August 97)

Other SE Asia (July-)

Taiwan-HK-global stock markets (October)

Korea (Fall 97)

The role of exchange rate policies

The role of financial structure, corporate governance, corruption, etc.

Other causes

Leading indicators and debt rules of thumb

Competitive devaluation

Speculative Contagion

The response

Four stages: Thailand, Indonesia, Korea I and Korea II

IMF

G-7

World Bank

Japan's Asian Monetary Fund/Manila

The ESF and the Congress

Did post-1994 (peso-crisis) reforms help?

Comparisons with / lessons from 1982

The Sachsist critique

The "bailout=moral-hazard" critique

Implications of the crisis

For Japan (trade, banking, macro)

For the United States (trade, stock market, macro)

Is the East Asian miracle over?

*Global support for internationalism/Washington consensus/ free trade,
vs. isolationism/nationalism/protectionism*

Other

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Jeffrey A. Frankel (CN=Jeffrey A. Frankel/OU=CEA/O=EOP [CEA])

CREATION DATE/TIME:29-DEC-1997 10:08:05.00

SUBJECT: EAsia conference (slightly revised)

TO: Janet L. Yellen (CN=Janet L. Yellen/OU=CEA/O=EOP @ EOP [CEA])

READ:UNKNOWN

TEXT:

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

ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:

Unable to convert ARMS_EXT:[ATTACH.D93]MAIL417963265.316 to ASCII,
The following is a HEX DUMP:

JF 12/29/97

Possible CEA-hosted meeting to talk about East Asia

Suggested list of invitees

other in-town:

Fred Bergsten
Guillermo Calvo
Bill Cline
Barry Eichengreen
Stan Fischer
Morris Goldstein
Carmen Reinhart
Joe Stiglitz
John Williamson

[Stijn Claessens
Charles Dallara
other]

out-of-town

Rudy Dornbusch
Peter Kenen
Paul Krugman
Jeff Sachs

[Brad DeLong
Ken Froot
Lawrence Krause
Hugh Patrick
other Asians/ Asian scholars
Ken Rogoff]

government:

Ted Truman, et al
Larry Summers, et al
Dan Tarullo, et al
NSC
State

Commerce

Possible topics to be discussed

Origins of the crisis

1996 slowdown in export markets

Thailand (May-August 97)

Other SE Asia (July-)

Taiwan-HK-global stock markets (October)

Korea (Fall 97)

The role of exchange rate policies

The role of financial structure, corporate governance, corruption, etc.

Other causes

Leading indicators and debt rules of thumb

Competitive devaluation

Speculative Contagion

The response

Four stages: Thailand, Indonesia, Korea I and Korea II

IMF

G-7

World Bank

Japan's Asian Monetary Fund/Manila

The ESF and the Congress

Did post-1994 (peso-crisis) reforms help?

Comparisons with / lessons from 1982

Should interest rates be raised? Retains speculative capital but hurts real economy?

The Sachsist critique

The "bailout=moral-hazard" critique

Implications of the crisis

For Japan (trade, banking, macro)

For the United States (trade, stock market, macro)

Is the East Asian miracle over?

*Global support for internationalism/Washington consensus/ free trade,
vs. isolationism/ nationalism/ protectionism*

Other

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Robert N. Weiner (CN=Robert N. Weiner/OU=WHO/O=EOP [WHO])

CREATION DATE/TIME:30-DEC-1997 17:05:40.00

SUBJECT: Presidential Records Act

TO: Janet L. Yellen (CN=Janet L. Yellen/OU=CEA/O=EOP @ EOP [CEA])

READ:UNKNOWN

TEXT:

Attached, as I mentioned, is the guidance we issued on the
Presidential

Records Act.===== ATTACHMENT 1 =====

ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:

Unable to convert ARMS_EXT:[ATTACH.D33]MAIL43302636F.316 to ASCII,
The following is a HEX DUMP:

May 9, 1997

MEMORANDUM FOR EXECUTIVE OFFICE OF THE PRESIDENT STAFF

FROM: Charles F.C. Ruff
Counsel to the President

SUBJECT: Presidential Records

The Presidential Records Act, 44 U.S.C. §§ 2201-07, imposes certain requirements regarding Presidential documents. This Guidance will first summarize the White House policies regarding the statute, and then discuss them in more detail.

Summary of White House Policies Regarding the Presidential Records Act

- The purpose of the Presidential Records Act is to document the performance of the President's constitutional, statutory and ceremonial duties.
- To accomplish this purpose, the Act requires the preservation of all original Presidential records. You do not have to keep identical copies.
- You need not keep "nonrecord" materials, such as notes for your own use, rough drafts not circulated to others, or call and visitor logs.
- You should file Presidential Records -- those pertaining to the performance of the President's duties -- separately from your personal records.
- When you leave the White House, send the Office of Records Management all original Presidential Records you have.
- Unless they have been publicly released, you may not take copies of Presidential Records when you leave, without permission from Counsel's Office.
- If you have any questions whether particular documents are Presidential Records, contact Robert Weiner in Counsel's Office (6-6297).
- This Guidance addresses your obligations under the Presidential Records Act. In addition, the White House has received subpoenas and document requests. You must preserve all materials that are covered by such subpoenas or requests.

GUIDELINES FOR THE PRESIDENTIAL RECORDS ACT

I. What are Presidential Records?

Presidential Records must meet two tests:

1. They must be **created** or **received** by the President, his immediate staff, or others in the EOP whose job is to advise and assist the President, and
2. They must relate to or directly affect the performance of the President's constitutional, statutory, ceremonial or other official duties.

II. What units in the EOP generate Presidential Records?

Records of the following units which meet the two tests above are Presidential Records:

White House Office	Council of Economic Advisors
National Security Council	President's Intelligence Oversight Board
Office of Policy Development	President's Foreign Intelligence Board
National Economic Council	

Records of the Office of the Vice President are treated in the same manner as Presidential Records. Records of other units in the Executive Office of the President are not Presidential Records, but may be subject to the Federal Records Act if they were created or received by employees of the agency and reflect the agency's activities or otherwise contain information of value.

III. What types or forms of records are included as Presidential Records?

A Presidential Record may be in any physical form, including: "books, correspondence, memorandums, documents, papers, pamphlets, works of art, models, pictures, photographs, plats, maps, films, and motion pictures, including, but not limited to, audio, audio-visual, or other electronic or mechanical recordings." E-mails and documents existing only on computer are also included.

IV. What materials are not Presidential Records?

The following are not Presidential Records:

1. Personal records.
2. Nonrecord materials.
3. Official records of an agency.
4. Stocks of publications and stationery.
5. Extra copies of documents produced only for convenience or reference, when the copies are clearly identified as such.

V. What are “personal records?”

Personal records have a “purely private or nonpublic character” and do not relate to or affect the President’s official duties. Personal records may include:

1. Diaries, journals, and the like if they are not prepared, used or circulated for government business.
2. Materials gathered by a staff member before joining government service, if not used for government business.
3. Materials relating solely to the staff member’s private affairs, such as financial records, insurance forms, and outside professional associations.
4. Personal photographs.
5. Materials relating to the election of others to federal, state, or local office, which have no relation or direct effect on the performance of the President’s official duties.

VI. Are political documents Presidential Records?

Under the statute, materials regarding the political activities of the President and his staff which do not relate to or directly affect the performance of the President’s official duties are not Presidential Records. Neither are materials relating exclusively to the President’s own election.

Because it sometimes can be difficult to judge which documents fall into these categories, you should consult the Office of White House Counsel regarding the records you may remove.

VII. What are “nonrecord materials?”

The following types of materials may not be Presidential Records:

1. Preliminary drafts not circulated to persons besides the authors.
2. Preliminary drafts, work sheets, and notes if they are reflected in the final product and they do not document the development or implementation of policy.
3. Shorthand and other notes once they are transcribed or converted to formal documents which are verified for accuracy and completeness.
4. Scratch pads, visitor and call logs, and similar nonsubstantive documents.

VIII. What are your obligations regarding the creation of Presidential Records?

The Presidential Records Act requires that staff members adequately document the performance of the President’s constitutional, statutory, and ceremonial duties. The decision whether to memorialize information rests in the first instance with each staff member.

IX. How should you maintain Presidential Records?

Maintain Presidential Records in organized files. Label and keep personal records separate from Presidential Records, and do not make personal records available to other staff for official business.

If your office has both Presidential and Federal Records, keep them separate. You may have to disclose Federal Records under the Freedom of Information Act. Presidential Records are not subject to such disclosure.

X. Can you destroy Presidential Records?

No. Presidential Records are the property of the United States, and may be disposed of only in accordance with procedures established by the Archivist.

One narrow exception: If your office receives certain recurring types of papers, including form letter public mail, unsolicited public mail not reviewed or answered by anyone in the White House, anonymous public mail, or enclosures in public mail, the White House Records Management Office will provide guidance regarding when you may dispose of those materials. Consult that Office before disposing of any such records.

XI. What happens to Presidential Records?

During his term, the President retains custody and control of Presidential Records.

At the end of the Administration, Presidential Records go to the Archives. Some will become subject to disclosure five years later. The President can restrict public access to certain documents, such as classified materials, documents related to appointments to federal office, or trade secrets, for up to 12 years. The materials then become publicly available as limited by any constitutional or other privilege.

XII. What can you take with you when you leave the EOP?

You may not take Presidential Records with you at the end of your employment. You also may not take copies of Presidential Records unless the records have been publicly released, or you have received permission from Counsel's Office. You may not remove classified documents from your office at any time without complying with the rules applicable to those materials. You may take political documents only with the approval of Counsel when you leave the EOP. You may also take personal records with you.

When a staff member leaves the White House or the EOP, he or she must deliver all Presidential Records to the White House Records Management Office (or leave the records in his or her office). NSC staff should provide their records to the NSC Records Management Office.

XIII. Who should you ask about the Presidential Records Act?

If you have questions regarding the coverage or interpretation of the Act, call **Robert Weiner** in the Office of White House Counsel (6-6297). Direct your questions about records maintenance and disposition of files to the White House Office of Records Management (or, for the Office of the Vice President, to the Vice President's records management staff, and for the NSC, the NSC Records Management Office).

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Jeffrey A. Frankel (CN=Jeffrey A. Frankel/OU=CEA/O=EOP [CEA])

CREATION DATE/TIME: 2-JAN-1998 14:51:08.00

SUBJECT: agenda for Thursday EPA mtg.

TO: Janet L. Yellen (CN=Janet L. Yellen/OU=CEA/O=EOP @ EOP [CEA])

READ:UNKNOWN

CC: Jon D. Haveman (CN=Jon D. Haveman/OU=CEA/O=EOP @ EOP [CEA])

READ:UNKNOWN

CC: HOPKINS_M (HOPKINS_M @ A1 @ CD @ LNGTWY [UNKNOWN]) (CEA)

READ:UNKNOWN

TEXT:

Janet,

Here is the draft agenda I wrote up. Minster Omi, in his letter to you of Dec. 26, acknowledges your letter to him, and the issues we want to discuss in our meeting. So I suppose it is not necessary to send him a version of our agenda ahead of time.

JF===== ATTACHMENT 1 =====

ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:

Unable to convert ARMS_EXT:[ATTACH.D30]MAIL47804510M.026 to ASCII,
The following is a HEX DUMP:

Possible agenda topics for meeting with EPA -- rough draft

Outlook for 1998

East Asian financial crisis

- likely impacts on Japan (trade and growth)
- likely impacts on US (“ ”)
- origins
- response

Japan's banking situation

Japan's fiscal situation

The December stimulus package

What is the multiplier in the EPA's model (under current near-liquidity-trap conditions)?

- For a cut in the consumption tax

- For an increase in the consumption tax (e.g., 4/1/97)

- For other tax cuts (such as those in the December package)

- From deregulation measures (or do their effect come on the supply side?)

- With regard to effects on net exports and growth among East Asian countries