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7. COMMUNITY EMPOWERMENT

Introduction

"For a long time the government really thought that if we just had a solution designed here in Washington that was properly funded, we could solve the problems of every community in the country. Well, we learned that that wasn't true. But we've also learned ... that neglect is not a very good policy either. [There] needs to be a new partnership between Washington and the communities and the individuals of this country, and there needs to be a way of doing business in which we try to create the conditions in which people can seize opportunities for themselves."

President Clinton

January 17, 1994

Remarks on Empowerment Zones
and Enterprise Communities

Empowerment Zones and Enterprise Communities

- In 1993, President Clinton's Empowerment Zones and Enterprise Communities ("EZ/EC") legislation passed Congress, offering \$2.5 billion in tax incentives and \$1 billion in flexible block grants to more than 100 communities. The initiative is designed to create jobs and help communities to rebuild themselves from the inside out.
- 526 communities around the country engaged in long planning processes and submitted EZ/EC applications to the Administration.
- After a lengthy and thorough review process, on December 21, 1994, President Clinton and Vice President Gore announced nine EZs and two supplemental urban zones, along with the 95 ECs, four of which received enhanced grants.

The Community Development Banking and Financial Institutions Act

- In 1994, the President's Community Development Banking and Financial Institutions Act became law, the first step to fulfilling his pledge to create a national network of community development financial institutions (CDFIs). In 1995, Congress

appropriated \$125 million for the initiative, and the Administration has requested an additional \$375 million over the next four years.

- The Act creates a fund to provide equity investments, deposits, grants, loans, technical and training assistance to CDFIs that are starting up or expanding.
- When fully leveraged, the Act could create about \$2 billion in new investments by homeowners, businesspeople and others who are building up low- and moderate-income communities.
- The Act will provide as many as 40,000 loans to entrepreneurs, expanding businesses, homeowners, and others who might not otherwise be able to obtain credit.

7A. EMPOWERMENT ZONES AND ENTERPRISE COMMUNITIES

"I do not believe we can repair the basic fabric of society until people who are willing to work have work. Work organizes life. It gives structure and discipline to life. It gives a role model to children.... We cannot ... repair the American community and restore the American family until we provide the structure, the value, the discipline and the reward that work gives."

President Clinton
November 13, 1993
Memphis, Tennessee

Actions to Date

In 1993, President Clinton persuaded Congress to approve his Empowerment Zones and Enterprise Communities legislation, realizing his pledge to help revitalize distressed urban and rural communities across America. The legislation called for the designation of 9 Empowerment Zones (EZs) and 95 Enterprise Communities (ECs), which will receive \$2.5 billion in tax incentives and \$1 billion in flexible block grants.

- To assist in the implementation of the EZ/EC initiative, the President signed on September 9, 1993, a memorandum establishing the Community Empowerment Board, which is chaired by the Vice President and comprised of the heads of 15 federal agencies.
- In January of 1994, applications were sent out to communities interested in applying for designation as an EZ or EC. Within six months, 526 places from across the country had submitted EZ/EC applications to the Administration.
- After a lengthy and thorough review process, on December 21, 1994, President Clinton and Vice President Gore announced nine EZs and two supplemental urban zones, along with the 95 ECs, four of which received enhanced grants.

Urban Empowerment Zones: Atlanta, GA; Baltimore, MD; Chicago, IL; Detroit, MI; New York, NY; and Philadelphia PA/Camden NJ.

Urban Supplemental Zones: Los Angeles, CA; and Cleveland, OH.

Rural Empowerment Zones: Kentucky Highlands; Mid-Delta Mississippi; and Rio Grande Valley Texas.

Urban Enhanced Enterprise Communities: Boston, MA; Houston, TX; Kansas City KS/Kansas City MO; and Oakland, CA.

Background

"While the great battles of the decades ahead are likely to be economic, the greatest challenge to our economic strength is certainly not competition from the Pacific Rim or Europe. No; the greatest challenge to our economic strength is here at home -- where the decaying cores of too many inner-cities and the poverty-stricken heartlands of rural America threaten to erode our dynamic regional economies from within. That is what we intend to change. I believe we can do it."

Vice President Al Gore

December 6, 1993

Boston, Massachusetts

Many American communities today badly need to renew themselves. As traditional industries have shut down and emerging firms have located in suburbs, crime and drugs have replaced jobs and hope in many of America's cities. For rural areas with inadequate electricity or sewage, the reality of poverty has changed little in the past generation. Child care may be available for some children and job training for some adults, but services are seldom coordinated to meet neighborhoods' specific needs. Communities with powerful resources in their schools and religious institutions may not fully use them. In areas where citizens working together could create jobs and renew hope, individuals on their own aren't able to make the most of themselves.

The concept of Enterprise Zones first originated in Britain in the late 1970s as a free-market approach to urban revitalization to allow entrepreneurs in targeted areas to pursue profit with minimum governmental restrictions. Evaluations of the British enterprise zone combination of tax incentives and regulatory relief found it to be a slightly helpful but not decisive tool for distressed communities. The lesson for the Clinton Administration was that free-market incentives standing by themselves could not revitalize distressed urban communities.

The experience of state enterprise zones in America reinforced this lesson. During the 1980s, many states initiated their own enterprise zone programs. By 1993, 37 states had enterprise zone legislation in place, producing more than 3000 zones across the country. The number of zones in each state range from one in Michigan to 1,553 in Louisiana, with some states designating entire counties and others having zones as small as 50 acres. The results with state enterprise zones have been mixed as well. The most successful state zone programs required strong development potential in the targeted areas, public/private cooperation and the availability of other development tools beyond tax incentives. Local managers of state enterprise zones found that the power of the zone concept lay not in the tax incentives, but in the usefulness of zones as a catalyst for

attracting a wide variety of tools and commitments to support growth in a targeted area.

The Clinton Administration developed its EZ legislation with these lessons in mind. Prior to enactment of the Clinton EZ bill, Congress had debated enterprise zones bills annually since 1982. The Clinton bill was the first federal enterprise zone bill with tax incentives to become law.

The Initiative

Thirteen years after the first federal enterprise zone legislation was introduced, President Clinton signed Empowerment Zone legislation that included \$2.5 billion in tax incentives and \$1 billion in flexible block grants that would spur local communities to address barriers to economic growth beyond tax costs -- such as crime and worker skills.

The Clinton Administration embraced empowerment zones as a catalyst and framework for bringing new and existing resources and partnerships into a new partnership in support of a common vision for change in each community. To be selected under the Clinton EZ program, communities had to submit a strategic plan for revitalization of their targeted area developed with participation of the entire community. Community residents, private and non-profit sectors, schools and universities, churches and local and state government were asked to participate.

Recognizing that all of these partners have assets to offer, the application required communities to think comprehensively. How could their fragmented economic, human and physical development resources be coordinated and integrated to support common goals for economic growth and job creation? Rather than addressing a laundry list of concerns, applicants had to develop a vision of what their community could become -- for example, a center for emerging technologies or an export center for farm products -- if they built upon the unique assets already in place. The communities also had to set goals and benchmarks for how they would achieve this vision and measure progress toward their goals.

To enhance federal agency commitment and responsiveness to community needs, on September 1993, the President used his executive powers to create the Community Empowerment Board with Vice President Gore as chair.

The Board has worked to identify additional resources available for community revitalization and to grant waivers to help communities achieve their vision. Given the cost of the initiative, the Administration also focused the experiment on a limited number of

places. Nine empowerment zones (six urban and three rural) receive the bulk of the tax incentives as well as block grants of \$100 million and \$40 million each, respectively. A second tier of communities -- 95 Enterprise Communities -- receive tax-exempt financing for certain zone activities and block grants of approximately \$3 million. In addition to these benefits, EZ and EC designees receive priority consideration for existing federal programs and special assistance in removing bureaucratic red tape, regulatory and statutory barriers that prevent innovative uses of existing federal dollars.

Summary of Benefits

Empowerment Zones. The 9 EZs will each receive the following benefits:

- **Social Services Block Grant.** Social services block grants of between \$40 million and \$100 million.
- **Wage Credits.** To encourage hiring, businesses located in an EZ will receive a wage credit of up to \$3000 per year per employee for the cost of wages and training for employees who are zone residents.
- **Tax Deductions for Capital Investments.** To encourage capital investment, smaller zone businesses can claim extra expensing tax deductions for the cost of plant and equipment.
- **Tax-Exempt Bond Financing.** Access to tax-exempt bond financing for certain private business activities in the targeted communities.
- **Federal Partnership.** Priority consideration for existing federal programs and special assistance in removing bureaucratic red tape, regulatory and statutory barriers that prevent innovative uses of existing federal dollars.

Enterprise Communities. The 95 ECs will receive:

- **Social Services Block Grant.** Social Services block grants of approximately \$3 million.
- **Tax-Exempt Bond Financing.** Access to tax-exempt bond financing for certain private business activities in the targeted communities.
- **Federal Partnership.** Priority consideration for existing federal programs and special assistance in removing bureaucratic red tape, regulatory and statutory barriers that prevent innovative uses of existing federal dollars.

Supplemental Zones and Enhanced ECs. These communities will receive additional economic development grants ranging from \$22 to \$125 million.

Communities had six months to develop their strategic plans. By June 30, 1994 -- the application deadline -- over 500 places from across the country submitted EZ/EC applications to the Administration. An interagency review team of over 100 federal executives from the agencies of the Community Empowerment Board thoroughly analyzed the applications. Using the results of this review process, Secretary Cisneros of the Department of Housing and Urban Development selected the urban EZ/ECs and Secretary Espy of the Department of Agriculture selected the rural EZ/ECs.

The overwhelming majority of applicants reported that the six-month planning process forged unprecedented strategies and partnerships for community renewal that made all the applicants winners, whether or not they were designated. The effort brought together diverse groups which had rarely cooperated in the past. Many communities have for the first time developed a "holistic" approach to economic revitalization which encompasses both capital formation strategies and the provision of social services such as child care, job training, education and health care. And new public-private partnerships will be a force for change far into the future. A few examples of the commitments from the EZ/EC initiative:

- In Detroit, more than \$2 billion in private sector commitments have been pledged. Major automobile companies will train and hire EZ residents. Growing industries will locate and expand in the Detroit zone. Banks will invest more than \$1 billion in homeownership and small businesses in the zone. Lawyers and accountants will donate their services to start-up businesses locating in the zone.
- Baltimore's plan leverages \$8 in outside resources for every \$1 of federal funds. Six local banks have committed over \$50 million for a variety of business and residential loans to the targeted zone. Seven foundations have committed 1% of the value of their assets for each of the next 5 years for activities within the zone.
- In Boston, seven banks have committed \$5 million each for commercial lending in the proposed zone and will provide \$625,000 for minority and small business technical assistance. Boston Edison will offer deep utility discounts to new businesses that commit to employ zone residents.
- In Kentucky, the Kentucky Highlands Investment Corporation has attracted \$33 million in commitments from state and local banks to create the Development Venture Capital fund and \$11 million from local banks for free-range chicken farming.

Case Study: Detroit, Michigan

The Philadelphia Inquirer highlights the success of the application process in Detroit:

"Some places seem to truly grasp the spirit and potential of the new deal the feds are offering. Consider the example of America's most ravished great city, in the nation's most segregated region -- Detroit. With the bait of empowerment zone designation, and anxious to bolster freshmen Mayor Dennis Archer, the big institutions of the Detroit region have produced a startling set of initiatives.

"A consortium of lead universities -- Wayne State, Michigan State and the University of Michigan -- have agreed to focus resources of multiple departments, including their schools of business development, urban studies and architecture, on Detroit's zone, and to keep up the effort whether Detroit 'wins' in the competition or not.

"Detroit Renaissance -- the chief executives of the region's 50 largest business, including GM, Chrysler and Ford -- are launching a community development bank somewhat akin to Chicago's famed South Shore Bank, aiming for almost \$50 million in capitalization. ... Just a dozen or two cities emulating Detroit's verve in building new coalitions to combat poverty and inner-city depression would justify the whole effort." Neil Pierce, "The Cities Are Lining Up to Get Empowerment Zones," Philadelphia Inquirer, May 16, 1994.

Case Study: Mid-Delta, Mississippi

In the Mississippi River Delta region, where people struggle with average wages of only \$7000 per year, an inspiring alliance between the black and white communities was formed to develop a strategy to revitalize some of the most distressed areas in Mississippi. The Delta Council, a century-old association of large landowners, worked jointly for the first time with the Delta Foundation, a successful community development organization born of the civil rights movement. The two groups set up a steering committee that includes a wide spectrum of community-based organizations, planning and development districts, local and regional development groups, businesses and the banking industry. Formed out of this partnership, the Mid-Delta Empowerment Zone Alliance worked hand in hand with citizens, elected officials, local, state, and federal agencies to create a new vision for this portion of the Mississippi Delta.

The Alliance set a goal of making the existing financial infrastructure work in attacking poverty by creating jobs for zone residents. The strategy is to build on existing community resources -- such as river ports, railroads, financial and other institutions -- that can support business and entrepreneurship and maximize available resources affecting the quality of life for zone residents. Efforts will be made to preserve agriculture as a significant element of the local economy by exploiting opportunities for local processing of agricultural products. The Alliance, which will manage the implementation of the strategic plan, attracted almost \$136 million in cash, credit and in-kind services committed to the Zone over a ten year period. Local colleges and universities will contribute over \$200,000 toward operating a One Stop Capital Shop, a center for loans and technical assistance for small businesses that will include a mobile unit to "circuit ride" the area of Northwest Mississippi. The State of Mississippi will commit \$5 million for the construction of an adult vocational-technical training facility, which will be matched with \$5 million from the local Chamber of Commerce. With the Alliance providing forums for continued coordination of existing assets and continuing input from zone residents, the process of renewal has already begun in the Mid-Delta region.

7B. CREATING A NATIONWIDE NETWORK OF COMMUNITY DEVELOPMENT BANKS AND FINANCIAL INSTITUTIONS

"I've long admired the way [Community Development Financial Institutions] steered private investment into previously underprivileged neighborhoods, to previously undercapitalized and underutilized Americans, proving that a bank can be a remarkable source of hope and still make money in the free enterprise system."

President Clinton

September 23, 1994

Signing the Riegle Community Development
and Regulatory Improvement Act of 1994

Actions to Date

In 1994, the President's Community Development Banking and Financial Institutions Act ("CDBFI Act") became law, the first step to fulfilling his pledge to create a national network of community development financial institutions. Banks and community development financial institutions have a primary mission of providing loans and basic banking services in low and moderate income communities.

With \$125 million already appropriated for 1995, and \$500 million requested in the President's Budget over four years, the Act:

- provides financial and other assistance to create and expand new and existing Community Development Financial Institutions ("CDFIs") across the country.
- provides financial incentives to traditional insured depository initiatives to increase lending and other financial services to distressed communities and to make investments in CDFIs.
- creates the CDFI Fund, which will provide equity investments, deposits, grants, loans, and technical and training assistance to CDFIs that qualify for funding; and will administer the incentive program for traditional lenders.
- will, when fully leveraged, create about \$5 billion in new investments in low and moderate income communities.
- will provide as many as 40,000 loans to entrepreneurs, expanding businesses, homeowners, and others who might not otherwise be able to obtain credit.

Background

Across the country, many rural and urban communities are starved for affordable loans, investment capital, and basic banking services. Millions of Americans in low- and moderate-income neighborhoods have no bank where they can cash a check, borrow money to buy a home, or get a small loan to start a business or keep one going. They live in neighborhoods with no ATM machines and no bank branches. Instead, they are forced to deal with cash-checking operations that charge exorbitant fees for simple services.

Most commercial lenders shun low-income communities because small loans have

lower profit margins. Profitable lending in low-income communities can also require specialized expertise, credit products and loan counseling. In addition, studies suggest that racial discrimination leads some lenders to avoid doing business in minority areas.

As a result, in too many low- and moderate-income neighborhoods, loans are unavailable for even the most credit-worthy housing and business purposes. A recent study found \$360 million in unmet demand for credit-worthy small business loans in Oakland alone. In New York City's distressed communities, individuals and institutions with several billion dollars in demand for housing loans that would qualify for federal insurance could not find lenders. Economic revitalization cannot take root in communities where good risks and sound businesses cannot get loans.

In a few fortunate low and moderate income communities, comprehensive development institutions like the South Shore Bank of Chicago, and the Elkhorn Bank in Arkansas, have developed successful, for-profit and not-for-profit affiliates that meet acute borrowing, banking and counseling needs. In addition, they develop affordable housing and commercial space for small businesses in their communities. Following the pioneering work of the Grameen Bank of Bangladesh, these institutions are based on a simple idea. Low- and moderate-income people will build their future and pay back loans on a timely basis if given the counseling and small loans they need to get ahead.

In addition to the few comprehensive community development banks and credit unions in the country, many enterprising communities have created a variety of promising alternatives to provide credit in underserved communities. Community development credit unions -- financial cooperatives owned and operated by low-income people -- provide banking services and small loans to their members. Hundreds of community development corporations and loan funds, while not taking deposits, focus on providing equity, bridge loans, or below-market financing for affordable housing, revitalization of retail stores and small businesses in low-income communities.

Passage of the "Community Development Banking and Financial Institutions Act of 1994" fulfills the President's commitment to build on these efforts by supporting the creation of a network of community development financial institutions.

The Initiative

"This bill is not about bureaucracies [or] distributing handouts. It's about new opportunity for people to assume responsibility to make good lives for themselves by making the private sector work in places where it had not gone before."

President Clinton

September 23, 1994

Signing the Riegle Community Development
and Regulatory Improvement Act of 1994

Signed by President Clinton, the Community Development Banking and Financial Institutions Act creates a Community Development Financial Institutions Fund that will invest in community development banks and other institutions whose primary mission is development and lending to distressed, underserved communities. The Fund will promote the CDFI industry by serving as an information clearinghouse and provide assistance to CDFIs in the form of equity, credit union shares, grants, deposits, or technical and training services.

Capital assistance from the fund is only seed capital, and must be matched with private funds. All types of new and existing CDFIs will be eligible for assistance, including community development banks and credit unions, micro-enterprise and revolving loan funds, minority-owned banks and community development corporations. The legislation authorizes \$382 million or such higher sums as necessary over four years. The President's budget requests funding of \$500 million over four years for this program. Congress has appropriated \$125 million for 1995.

The bill also authorizes a new financial incentive program, built largely on Congressman Floyd Flake's Bank Enterprise Act, to provide incentives to traditional insured lenders and insured community development banks to increase lending and services in economically distressed communities and to increase equity investments in CDFIs. Based on qualified increases in such activity, these lenders may receive direct incentive payments from the CDFI Fund.

Currently, the community development financial institution industry is capitalized with approximately \$700 million and has extended more than \$2 billion in loans. The \$500 million requested for the CDFI program will greatly expand the capacity of the CDFI industry and, when fully leveraged, will:

- Create approximately \$5 billion in new credit for economically distressed communities.
- Support as many as 75 new insured community development banks and credit

- unions.
- Support as many as 900 new, well-capitalized community development corporations and over 4,000 community development loan funds.
- Support nearly 40,000 in new loans to individuals and small businesses.
- Result in as many as 150,000 new jobs in low-income communities.

Case Study: The Self Help Credit Union of North Carolina

When the Self-Help Credit Union in Durham, North Carolina began in 1983 with funds from a bake sale, its founders Martin Eakes and Bonnie Wright had no idea the Credit Union would make over 1300 loans totalling over \$50 million by 1994. Self Help, as a "community development bank" serves the kind of borrowers traditional lenders shun. Beginning with a specialty in lending to employee-owned companies, Self-Help lends to small rural and other businesses that otherwise would have difficulty accessing credit. Self-Help has also expanded into many other areas of need. Working with the State, it developed a program to lend to low-income homebuyers, offering them low-down payments. It lends to urban and rural microenterprises, enabling many low-income women to start or expand a small business with a loan as small as \$500. Self-Help also helps non-profit organizations finance the construction of community facilities such as group homes for the homeless. In addition, Self Help is an active real estate developer, having developed over 225,000 feet of space. Its buildings now house more than 45 non-profits and 30 small businesses, serving as incubators that allow organizations and businesses to share space and ideas.

Operating statewide and focusing on building the wealth of its clients, Self-Help has expanded the definition of acceptable lending -- with negligible loan defaults. It also serves as a bank and has attracted deposits from individuals, religious groups and other organizations across the country. As a result, Self-Help is a self-sustaining, non-profit entity that is an engine of growth in North Carolina.

Case Study:
The Workers Owned Sewing Company of
Rural Eastern North Carolina

The Workers Owned Sewing Company (WOSCO), located in rural Bertie County, is a cooperative owned primarily by African-American women employees of the company. Founded by Tim Bazemore, when the company started, its "cut-and-sew" business came primarily from overflow work from other clothing companies. This type of business proved sporadic, unpredictable, and highly competitive, operating on very thin margins. In 1985, WOSCO was in trouble. In order to survive, the company needed to grow and by-pass middlemen to bid directly to retailers. But they needed credit for necessary materials and supplies. A small, local bank had helped WOSCO manage its business with a \$10,000 line of credit. This small line of credit was cut off, however, when a large regional bank acquired the local bank. WOSCO's President, Tim Bazemore, turned to the Self-Help Credit Union. Self-Help gave WOSCO a \$50,000 loan and assistance in marketing, financial management and business planning. Today, WOSCO's 80 working women are all proud owners of the second largest private employer in Bertie county. WOSCO has secured contracts with Sears and K-Mart and sales are increasing. Each year the company has been able to distribute profits back to its owner-workers.

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8. HEALTH CARE

Introduction

Health Care Reform

- The President sent Congress a comprehensive health care reform proposal in November of 1993. The President's plan would have preserved what is right about our health care system -- that we have the highest quality of care, talented and dedicated health professionals, and some of the most advanced research institutions in the world. At the same time, the plan would have fixed what is wrong -- by controlling skyrocketing health costs, increasing the ability of Americans to choose their own doctor, and reducing bureaucracy and paperwork for patients, doctors and hospitals. And, most importantly, it would have rewarded hard-working families by extending coverage to millions of uninsured Americans and giving millions more the security of knowing that they would never again risk losing coverage.
- Over the next two years, the President will continue his fight for meaningful health care reform. He remains firmly committed to guaranteeing health insurance for every American and to containing health care costs for families, businesses and governments. He will work with Democrats and Republicans in Congress and take a step-by-step approach toward these goals. This year, we can reform the insurance market -- so that people do not lose their insurance when they lose their job or change jobs or a family member falls ill, and so that small businesses can afford to buy insurance for their workers; make coverage affordable for children and workers who lose their jobs; give self-employed workers the same tax treatment as other businesses, and help families provide long-term care for a sick parent or disabled child.

WIC

- The President has increased funding for WIC in each of his budgets.
- More than one million nutritionally-at-risk, low-income infants, children under the age of five, and pregnant, breast-feeding and postpartum women have been added to the program since fiscal year 1993.

Immunization

- The President has built a comprehensive vaccination delivery system by providing free vaccines to certain categories of needy children, improving the public

immunization delivery infrastructure in States and local communities, and educating providers and parents about the importance of getting children the right vaccine doses at the right ages.

- Over the next two years, the Administration will continue to work to improve immunization rates. By 1996, at least 90 percent of two-year-olds in this country will be immunized with the most important vaccines. By 2000, the goal is to fully immunize at least 90 percent of all two-year-olds.

HIV/AIDS

- The President has increased resources for research, prevention and treatment, focused national attention on the need for a comprehensive and coordinated strategy in the fight against HIV/AIDS, and provided opportunities for greater involvement of local governments and community-based organizations in responding to the epidemic.

Women's Health

- The President has taken an unprecedented and comprehensive approach to improving the health of American women through research, education and treatment for health and disease in women. This has included dramatic funding increases for research as well as prevention and education programs on breast cancer.

8A. HEALTH CARE REFORM

"Our families will never be secure, our businesses will never be strong, and our government will never again be fully solvent until we tackle the health-care crisis."

President Clinton
February 17, 1993
Joint Session of Congress

Actions to Date

- In November 1993, the President sent Congress a comprehensive health care reform proposal. The proposal would have preserved the high quality medical care that is the hallmark of the health care system in this country, while controlling skyrocketing health costs, increasing choice, and reducing bureaucracy and paperwork for patients, doctors and hospitals. And, most importantly, it would have guaranteed private insurance to all Americans -- rewarding hard-working American families by extending coverage to millions of uninsured Americans and giving millions more the security of knowing that they would never again risk losing coverage.
- The President remains firmly committed to providing insurance coverage for every American and containing health care costs for families, businesses, and governments. He has asked both Democrats and Republicans in the new Congress to work with him to take the first steps toward achieving these goals.

Background

"And let me say again, the most expensive thing we can do is nothing. The present system we have is the most complex, the most bureaucratic, the most mind-boggling system imposed on any people on the face of the Earth. The present system we have has the highest rate of inflation with the lowest rate of return."

President Clinton
October 27, 1993
Remarks to Congress on
the Health Security Act of 1993

Nearly sixty years ago, President Franklin Delano Roosevelt proposed to reform the health care system as part of his Administration's ground breaking Social Security legislation. His efforts failed, however, when powerful special interests mobilized to defeat the health care reform portion of his legislation.

Since FDR, every President -- Democrat and Republican -- has pledged to address the problems in the American health care system. A proposal for comprehensive health reform has been introduced in every Congress since 1943. But every time a President or Congress has tried to make the health care system work for ordinary Americans, powerful special interests have defeated the effort. As far back as fifty years ago, wealthy opponents of President Truman's health reform legislation spent the equivalent of \$30 million in today's dollars on efforts to defeat reform. Last year, special interests spent over \$100 million to defeat President Clinton's efforts to enact comprehensive health care reform legislation.

And while the efforts to strengthen the system and improve access and affordability have gone unrealized, the twin problems of rising health costs and increasing insecurity keep growing.

Millions of Americans are at risk of losing health insurance if they lose their jobs or of losing their savings if they get sick. Up to 30 percent of all workers are locked into the jobs they have now because they fear losing their health insurance -- often because they or someone in their family has been sick and has what insurers call a preexisting condition. And on any given day, over 40 million Americans, most of them working people and their children, have no health insurance at all.

Even though so many Americans have no coverage at all, medical costs continue to grow faster than the rate of inflation, and the United States spends over a third more of its income -- 14 percent of GDP -- on health care than any other nation. Health care costs are

eating away at our wages, our savings, our investment capital, and our ability to create new jobs in the private sector. Hard working Americans keep spending more and more on the same health care benefits, while their take-home wages stay the same. And American companies trying to compete in global markets are severely disadvantaged.

Rising costs are particularly troublesome for small businesses -- the engine of entrepreneurship and job creation in America today. Administrative costs for health care premiums for small businesses are often 8 times higher than they are for large businesses. And many small businesses cannot find insurers that will offer them coverage at any price.

We have not only the costliest, but also the most wasteful system in the world. Today we have more than 1,500 insurers, with hundreds and hundreds of different forms. No other nation has a system riddled with paperwork like ours. In recent years, the number of hospital administrators in this country has grown four times more rapidly than the number of doctors. Our nation's health care dollars often go to those who push paper, not those who provide care.

The Initiative

1993-1994

In November 1993, the President sent Congress a comprehensive health care reform proposal. The proposal would have preserved the high quality medical care that is the hallmark of the health care system in this country, while controlling skyrocketing health costs, increasing choice, and reducing bureaucracy and paperwork for patients, doctors and hospitals. And, most importantly, it would have guaranteed private insurance to all Americans -- rewarding hard-working American families by extending coverage to millions of uninsured Americans and giving millions more the security of knowing that they would never again risk losing coverage.

The President's bill spurred an unprecedented debate as Congress and Americans across the country began to discuss widely the problems facing the health care system. This debate produced a consensus on several key points. Almost all of the health reform proposals -- Democrat and Republican -- introduced last year contained comprehensive insurance market reforms, including provisions that would have: prevented insurers from denying coverage to people who change jobs or lose their job; stopped insurers from turning people away just because they are sick or old; prohibited insurers from dropping people from coverage when they get sick; and prevented insurers from jacking up prices for small businesses or sick individuals.

Many bills also expanded coverage to uninsured low- and middle-income Americans. This would have made health care available to those who today have no insurance and must wait until their illnesses are serious and costly before seeking care -- which, in turn, would have reduced cost-shifting onto private premiums. The bills also included various market-based solutions to address the problem of escalating health care costs by increasing competition and choice.

Congressional committees held nearly 200 hearings on various issues, including market reforms, coverage, and long-term care. After several months of debate, and for the first time in history, a congressional committee voted for comprehensive health reform legislation -- in fact, four Committees did so. And, in August 1994, for the first time in history, the Senate brought a comprehensive health reform bill to the floor for debate. In the end, however, Congress could not pass legislation.

The Current Initiative

Without health care reform, American families, business and governments will continue to suffer from problems in our health care system:

- *Health costs per person will rise by more than 50 percent by the end of the decade, from about \$3,300 in 1993 to over \$5,000 by the year 2000.*
- *More Americans will lose coverage, including many working Americans. The number of uninsured Americans rose by more than one million in 1993. Eighty-four percent of the uninsured in 1993 were in working families, and more than 55 percent lived in families headed by full-time workers.*
- *People will continue to be locked into current jobs out of fear of losing coverage, even when faced with opportunities to move to better jobs. Up to one-third of workers surveyed are afraid to leave their jobs for fear of losing health coverage.*
- *Businesses will continue to face rising health costs. Total health benefit costs per employee rose 8 percent in 1993, nearly three times the rate of general inflation. Small firms, in particular, suffer under the current system; insurers charge them up to eight times more than large firms for administrative costs. Many small firms pay exorbitant amounts for insurance or cannot obtain it at any price, and many often cannot afford to provide any choice of health plans to their employees.*
- *Health care will continue to consume a larger share of federal, state, and local government budgets, leaving fewer resources for such other priorities as education and job training, transportation and telecommunications infrastructure, and research and development. In fact, over the next five years, almost 40 percent of the growth*

in total federal spending will come from health care spending.

That is why the President remains committed to health care reforms that will guarantee insurance coverage to every American and contain health care costs for families, businesses and Federal, State and local governments. The President has asked Democrats and Republicans in Congress -- in both a letter to the Congressional Leadership in December 1994 and the State of the Union Address in January 1995 -- to work with him to take the first steps toward achieving these goals. This year, the President believes Republicans and Democrats can:

- *Reform the insurance market.* Americans should no longer risk losing coverage when they change or lose a job, or a family member falls ill. Small businesses should have access to affordable insurance that is currently only available to large businesses -- and Congress should provide assistance to states to establish voluntary purchasing pools to help small businesses purchase affordable insurance.
- *Make coverage affordable for, and available to, all children.* The United States should act responsibly -- as its major competitors already do -- and ensure that its children have health care when they need it. Nearly 10 million American children are without health insurance today -- many of them in working families. When these children get sick or hurt, their parents cannot always afford to take them to get the proper care. Quite often, they do not get treatment until their illnesses become serious and even more expensive.
- *Help workers who lose their jobs keep their health insurance.* Workers should not have to risk losing their health insurance when they are temporarily out of work. In today's economy, when hard-working Americans lose their jobs, they often lose their health insurance. Even workers who are allowed to keep the coverage they had when they were working have to pay the full cost of that insurance policy when they lose their jobs.
- *Level the playing field for the self-employed by giving them the same tax treatment as other businesses.* The self-employed should be able to deduct their health care expenditures from their taxable income, just as other businesses do. Today, self-employed individuals not only often pay more for health insurance, but also have to pay for most of their health care costs with after-tax dollars, putting them at a significant disadvantage against other business owners.
- *Help families provide long-term care for a sick parent or a disabled child.* Millions of middle-class American families who provide long-term care for family members at home -- frequently at enormous costs -- should get some assistance through tax incentives and expanded State-administered programs. In the current system, only

the poor have access to long-term care, often in institutions, while middle-class families struggling to care for sick parents or disabled children at home often bear the full burden of the costs on their own.

As he continues to fight for health care legislation, the President believes that we can and should improve existing health care programs. For example, efforts are underway to reduce regulatory burdens for health care providers and consumers and to expand managed care options for Medicare and Medicaid beneficiaries.

Case Study: Jessica Wright

Seven year old Jessica worries about getting sick and not being able to afford to see a doctor. Her mother, Beth, worries that her third shift job as a temporary employee will not cover the costs of medical care for her or her daughter, neither of whom have health insurance. Beth works hard and refuses public assistance that would give her daughter health benefits. Instead, Beth has gotten quite good at providing home remedies for most of Jessica's ailments.

Case Study: Lynn Hicks

Lynn Hicks, her husband and five teenage children live in Dilltown, Pennsylvania. Last year, Lynn's husband was laid off from his manufacturing job of 16 years, and their health care coverage was discontinued. Although she worked part time, she received no benefits, and the family was unable to afford insurance on their own. After putting off doctor's visits, Ms. Hicks eventually was diagnosed with breast cancer. Because she was unable to afford treatment, she was forced to quit her job and go on public assistance in order to receive care. Lynn says, "In May of 1993, my husband lost his job and with his job, our health insurance. Until that time, we never realized how vulnerable our family was to falling between the cracks in our health care system."

8B. SPECIAL SUPPLEMENTAL NUTRITION PROGRAM FOR WOMEN, INFANTS AND CHILDREN (WIC)

"... [L]et us remember that there are certain fundamental national needs that should be addressed in every State, North and South, East and West -- immunization against childhood disease, school lunches in all our schools, Head Start, medical care and nutrition for pregnant women and infants; all these things are in the national interest."

President Clinton
January 24, 1995
State of the Union

Actions to Date

The Clinton Administration has provided strong and consistent support for the Special Supplemental Nutrition Program for Women, Infants and Children (WIC) Program.

- President Clinton has increased funding for WIC in each of his budgets. As a result, more nutritionally-at-risk, low-income infants, children under the age of five, and pregnant, breastfeeding and postpartum women are being served than ever before. More than one million participants have been added to the program since fiscal year 1993 -- an 18.2 percent increase in participation. Approximately seven million women and children are expected to benefit in 1995.
- The legislation reauthorizing WIC for fiscal years 1995 through 1998 also provided increased funding for breastfeeding promotion and funding to improve WIC's infrastructure-- clinic space, equipment, and management information systems.

Background

The WIC program began in 1972 to provide supplemental nutrient-dense foods to low-income women and children. Today, the WIC Program continues to provide food packages in order to prevent nutrition-related health problems during pregnancy, infancy, and early childhood, and has two additional important missions. WIC also offers nutrition education and helps identify and refer women and children to other needed health and social services.

- **Supplemental foods.** WIC foods are intended to supplement a participant's diet. WIC foods include iron-fortified infant formula, iron-fortified cereal, vitamin C-rich fruit and vegetable juice, eggs, milk, cheese, peanut butter, and dried beans and peas. Seven different monthly food packages are available to participants, based on their age, category of eligibility and nutritional needs. Special foods are also available for women who breastfeed their infants.
- **Nutrition education.** WIC nutrition education teaches WIC participants about the connection between proper nutrition and good health. WIC nutrition education also encourages women to breastfeed (unless it is medically contra-indicated) and informs them about the risks of tobacco, alcohol and other drug use.
- **Health care referrals.** During individual nutritional assessments of participants, WIC program staff make referrals to other health and social services, including prenatal care, well baby care, substance abuse counseling, and other nutrition assistance programs. Because so many WIC participants do not have health insurance or adequate access to medical care, these referrals may be their only source of ongoing health care services. WIC has been a leader in efforts to promote pre-school immunizations.

WIC is an essential investment in the health, development and nutritional well-being of the most vulnerable segments of our population. WIC participation is associated with a lower incidence of low birth weight and very low birth weight infants and with a lower incidence of infant mortality. WIC has also been instrumental in helping children enter school ready to learn.

And this investment produces savings. There is a direct link between participation in WIC and lower health care costs. Recent studies by the USDA have found that Medicaid-eligible, low-income women who participate in WIC during pregnancy have healthier babies and lower Medicaid costs than Medicaid-eligible, low-income women who do not participate in WIC; every dollar spent on pregnant women in WIC saves between \$1.77 and \$3.13 in Medicaid costs from birth through the first 60 days after delivery.

The Initiative

The President has shown his commitment to WIC by seeking increased funding in each year since taking office. Appropriations have increased by \$610 million from fiscal year 1993 to fiscal year 1995. These increases will permit more than one million new participants to receive supplemental food, nutrition education and health care referrals. In fiscal year 1995, on average seven million needy women, infants and children are expected to be served each month.

Fiscal year	Clinton's Budget (in billions)	Actual Appropriation (in billions)	Average Monthly Participation (in millions - rounded)			
			Women	Infants	Children	Total
1993	\$2.84	\$2.86	1.37	1.74	2.81	5.92
1994	\$3.29	\$3.21	1.50	1.79	3.19	6.48
1995	\$3.56	\$3.47	estimated total participation: 7.0			
1996	\$3.82	Pending	estimated total participation: 7.4			

At the same time, the Administration has worked to improve quality and increase efficiency in the program. For several years state WIC Programs have used competitive bidding systems for rebates on infant formula. To date, 70 WIC State agencies have infant formula rebate contracts in place with manufacturers. For fiscal year 1995, the projected savings are about \$1 billion, which will support WIC benefits to 1.6 million participants. The National Performance Review cited these rebates as an example of a particularly effective cost containment measure.

Over the next two years, the Administration will remain vigilant to protect WIC from severe reductions in funding. In addition, the Administration will continue work on several projects.

- Through a strong partnership involving the Department of Agriculture, the Centers for Disease Control, private organizations, and State agencies, work is underway to increase immunization rates for children under the age of two. As a result of this

increased coordination. on-site immunizations will be available at some WIC clinics, and WIC staff will track and refer infants and children for needed immunizations. WIC will continue to work with other agencies to improve immunization rates.

- WIC clinics now offer program applicants the opportunity to register to vote, consistent with the National Voter Registration Act. The "Motor Voter" law also makes voter registration available at Food Stamps, Aid for Families with Dependent Children, and Medicaid offices.

Case Study: Andy

Andy was born in the Gila River Indian community in Central Arizona. When his mother brought him for his two-month check-up, a WIC staff member noticed that he wasn't breathing normally and that his weight gain was below normal. The WIC staff member referred Andy first to the Special Needs Clinic and then to a hospital in Phoenix, where it was determined that Andy had cardiac problems. After treatment, WIC provided formula and food supplements, taught his mother how to prepare them and carefully monitored Andy's feeding and weight gain.

Case Study: Danny

When Danny's mother brought him to the WIC clinic, his father was unemployed and the family had not eaten in two weeks. Danny had only water during that time. Danny was immediately certified for WIC and given vouchers for infant formula, infant cereal and juice. The WIC Director also referred the family to an emergency food assistance program and to the Food Stamp Program.

8C. CHILDHOOD IMMUNIZATION

"To guarantee that our children's faith in us is justified, we must renew our commitment to protect them from deadly infectious diseases."

President Clinton

April 20, 1994

Proclamation 6675

National Immunization Week

Actions to Date

The President has launched a comprehensive effort to give our children a healthy start in life by immunizing them against preventable disease. Under the Childhood Immunization Initiative, the Administration has:

- Provided states and local governments with added support for immunization programs. Federal spending to support immunization infrastructure increased by 213%, from \$45 million to \$141 million.
- Started the Vaccines For Children Program which will provide free vaccines to about 60% of our nation's children.
- Helped create state information systems to see that all children are properly immunized.
- Formed innovative partnerships with private organizations that will reach target communities with an immunization message:
 - Gerber Products Company put an immunization message on the back of baby cereal boxes;
 - Kiwanis International created a national public awareness campaign, including public service announcements, billboards, and posters; and
 - McDonalds featured an immunization message in its tray liners.
- Helped thousands of health care providers improve their immunization procedures by broadcasting information via satellite to 16,000 participants in 44 states. Using this technology, the Centers for Disease Control and Prevention will have trained more providers within six weeks than it had trained in the previous ten years.
- Simplified what parents and health care professionals need to know to ensure children are properly immunized, by working with leading health professionals to get them to agree on a single recommended immunization schedule.

Background

Childhood vaccines prevent many infectious diseases -- polio, measles, diphtheria, mumps, pertussis, rubella, tetanus, hepatitis-B, and Haemophilus influenzae type B (Hib) (which causes meningitis). Children need 11 to 15 vaccine doses by the age of two, requiring about five visits to a doctor or clinic. Yet too many of America's two-year-old children do not get the full range of vaccines and full protection from illness and possible death.

The cost of immunizing a child is much higher today than it was just a few years ago. The full complement of vaccines has risen from only \$28 in 1983 to about \$270 in 1994. Costs are up in part because new vaccines are now recommended for all children and because the prices of some vaccines have gone up. These higher costs mean that more uninsured and underinsured families are unable to pay for vaccines out of their own pockets. In response, private providers now send more children to public health clinics for their shots, where Federal or state supplied vaccines are free. Because these referrals break the continuity of care, children miss opportunities for vaccination.

The influx of children referred from the private sector has further burdened the public clinic system. State and local government clinics often don't have the resources to track these children well enough to make sure that they get all their shots, or to offer parents the convenience of evening or weekend hours. Although measles is preventable, a failure to immunize children on time led to an epidemic of measles in 1981-91. This epidemic resulted in more than 55,000 cases of the disease, 11,000 hospitalizations, 44,000 hospital days, and 130 deaths. The epidemic cost an estimated \$150 million in direct medical costs alone, without including massive indirect costs stemming from lost time on the job, lost productivity, and lost wages.

By preventing expensive treatment of diseases, vaccines save money. For every dollar spent on the measles/mumps/rubella vaccine, an estimated \$21 is saved. About \$29 is saved for every dollar spent on the diphtheria/tetanus/pertussis vaccine.

The importance of immunization for young children must be reinforced at every opportunity. In addition, cases of disease need to be detected early to identify under-immunized populations and to institute disease control efforts. But, surveillance systems often have been inadequate to detect cases of measles early enough. As a result, vaccine-preventable diseases have spread too rapidly, especially within populations that are at greatest risk.

The Initiative

The President's Childhood Immunization Initiative is building a comprehensive immunization system that marshals the public and private sectors, health care professionals, and volunteer organizations to increase vaccination rates. First, states and local governments will improve and expand immunization efforts using added Federal funds. Second, uninsured children can be immunized by their private physicians through this program. Third, an enormous outreach effort will help providers and families to understand the importance of immunization and to know which vaccines are needed and when.

The Initiative's goal is to immunize at least 90 percent of two-year-olds in this country with the most important vaccines by 1996 and at least 90 percent of all two-year-olds with the full series of vaccines by 2000.

The Childhood Immunization Initiative will:

1. Improve the quality and quantity of vaccination services:

In 1994, the Federal government sent \$129 million (\$83 million in new Federal resources) to states and local health departments to improve existing services based on plans they developed. Each area uses its own discretion to allocate these funds to meet local needs -- whether by lengthening clinic hours or automating records. Locally tailored systems mean that parents can visit an immunization clinic at more convenient times and be assured of prompt, quality service. Automated record-keeping creates easy reminders for providers and parents that vaccinations are due.

2. Reduce vaccine costs for parents:

The Vaccines for Children program will reach more children with free vaccine than ever before, including many at their own doctor's offices. Sixty percent of our Nation's children will benefit, including the uninsured, those on Medicaid, Native American children, and children served by federally qualified health centers. States can buy vaccines at reduced Federal prices to provide universal access to vaccine for all children in their state. The Federal government will assist states to purchase vaccines. As a result, cost of vaccines will no longer be a barrier for our neediest children, and parents can get their children vaccinated by their family doctor.

3. Increase participation, education, and partnerships in communities:

The Administration's plan sends outreach consultants around the country to increase awareness of the importance of vaccinating children and to encourage health care providers to use every opportunity to vaccinate children in their care. Health departments,

community and business groups, private and public providers, religious and service organizations, schools, and the media are joining community-based networks to increase infant vaccination efforts. We are encouraging our immunization partners to take advantage of National Infant Immunization Week (in late April each year) to focus attention on the vaccination needs of infants and young children.

4. Better monitor diseases and vaccinations:

We are creating a better system to monitor vaccine-preventable diseases so that we can spot problems early and prevent cases from escalating into epidemics. The Centers for Disease Control and Prevention is working with state and local health departments to pinpoint the populations that are not receiving the benefits of infant vaccination.

5. Improve vaccines and how they are used:

We are increasing applied research into new vaccines in an effort to reduce the number of shots children must receive and to ensure safe and effective vaccines. We developed a single childhood immunization schedule by working with the Advisory Committee on Immunization Practices, the American Academy of Pediatrics, and the American Academy of Family Physicians. This single schedule allows what parents and providers to know what is needed to properly immunize children. In addition, although available vaccines are very safe and effective, the Centers for Disease Control and Prevention is working with states and selected providers to enhance systems to detect rare adverse events following vaccination.

Case Study: Kathleen

Kathleen, a single parent living in Santa Fe, New Mexico, was worried about juggling her work schedule to take her young son for vaccinations at the Santa Fe County Health Office. "I'm a single parent trying to raise a child alone, and it is not easy to get off work to take him for shots."

To her pleasant surprise, when she called to find out which day the clinic offered immunizations, she discovered that the Santa Fe County Health Office clinic was now offering immunizations five days a week and had extended their hours. In 1993, New Mexico, along with other states and some urban areas, received an increase in Federal funds to improve their vaccine delivery infrastructure. Santa Fe County chose to use some of the funds to increase the number of days it offered vaccinations to children. Nurse Manager Laurie Spiegel said, "We're trying to be more accessible and people are really responding. We know that both parents may work and it's difficult to get to the clinic. Extending the immunization hours also means we've decreased the waiting time at the clinic."

Kathleen was able to vaccinate her son as recommended and wasn't forced to miss work. "It's nice to see that people realize how difficult it can be to get to the clinic during a few fixed hours. I appreciate being able to go for services at more convenient hours. Finally, a consumer-friendly state service."

8D. HIV/AIDS

Actions to Date

The President has attacked the HIV/AIDS epidemic by increasing resources for research, prevention and treatment, providing better national focus and leadership, and creating opportunities for greater involvement of local governments and community-based organizations. The Administration has:

- Increased Federal spending on HIV/AIDS activities by 30 percent.
- Increased funding for the Ryan White CARE Act by 81.9 percent, bringing that program to full funding.
- Reorganized AIDS research at the National Institutes of Health and appointed renowned immunologist William Paul, MD, to head the NIH Office of AIDS Research.
- Continued funding of research that shows that the use of AZT during pregnancy and childbirth will sharply reduce the risk of HIV infection of newborn infants.
- Required the inclusion of women in all NIH-sponsored clinical trials of HIV/AIDS drugs.
- Created a White House-level Office of National AIDS Policy to provide greater Federal focus.
- Created the National Task Force on AIDS Drug Development to identify and eliminate barriers to the development of drugs for HIV and HIV-related conditions.
- Launched the Prevention Marketing Initiative aimed at reducing HIV transmission among young adults (ages 18-25).
- Established HIV/AIDS workplace education training for all Federal employees.

Background

HIV/AIDS continues to devastate American society. Since the epidemic began in 1981, more than 400,000 Americans have been diagnosed with AIDS and nearly 250,000 have died. In 1994 alone, nearly 81,000 Americans were diagnosed with AIDS and more than 40,000 died as a result of HIV infection. While scientists, public health officials, and community-based organizations responded quickly to AIDS at the first signs of the epidemic, the Federal government's response was often disjointed and, at times, hostile. Two national commissions sharply criticized this early response and advocated a more coordinated, aggressive effort.

Racial and ethnic minorities, especially women and children, have been particularly hard hit by HIV/AIDS. For example, black and hispanic women make up 74 percent of women reported with AIDS. And 84 percent of children diagnosed with AIDS are either black or hispanic.

Adolescent Americans are one of the fastest growing populations affected by HIV. In 1994, one in two new HIV infections occurred in people under the age of 25. One in four new infections occurred in people under the age of 20. In the last two years, AIDS has become the leading cause of death in Americans between the ages of 25 and 44, surpassing cancer, homicide, and accidental death.

The Initiatives

The President identified AIDS spending as one of his top priority investments and has consistently provided funding increases for research, prevention, treatment, and direct services. Between fiscal year 1993 and fiscal year 1995, the President increased AIDS spending as follows:

<u>Category</u>	<u>% Increase</u>
HIV/AIDS Research	+17.0%
HIV/AIDS Prevention and Education	+15.0%
HIV/AIDS Services (Ryan White)	+81.9%

The Ryan White CARE Act was enacted in 1990 to enable states and metropolitan

areas hard hit by the AIDS epidemic to provide direct services to people living with HIV/AIDS. But the program was funded at less than half of the levels authorized by Congress in the original legislation. This underfunding prevented thousands of people living with HIV/AIDS from receiving the services needed to maintain their health. The National Commission on AIDS urged full funding of the Ryan White CARE Act in its final report to the President.

In two years, the President fully funded the Ryan White CARE Act by increasing its resources by 81.9 percent. In his fiscal 1996 budget, the President proposed a 14 percent increase in Ryan White CARE funding, bringing the three-year increase to 108 percent. The additional investment has allowed the Ryan White CARE Act to provide funding to an additional 17 cities, providing services to more than 300,000 individuals living with HIV/AIDS. Those funds have also provided new services including drug assistance; services for women, children, and other special needs populations; and expanded rural services.

The Administration will continue to fight for reauthorization of the Ryan White Care Act. In addition, the President will continue to fund research, prevention, education and services to work toward finding an effective vaccine and a cure for HIV/AIDS, reducing the number of new HIV infections, and assuring that all people with HIV have access to needed treatment.

In addition to new resources, the President sharpened the federal government's focus on the HIV/AIDS epidemic. Following the recommendations of the National Commission on AIDS, the President established a White House Office of National AIDS Policy to advise him directly on the proper response to the epidemic. An Interdepartmental Task Force on AIDS will assure coordination of the Federal response.

In 1993, the President signed the NIH Revitalization Act, which created a permanent Office of AIDS Research (OAR) at the National Institutes of Health. Immunologist William Paul, MD, was recruited to head the new OAR and has quickly established a five-year plan for AIDS research centered on basic research. Recently, NIH-funded researchers reported that the use of AZT during pregnancy and childbirth can dramatically reduce the risk of HIV infection of an unborn child. This seminal research may be the first step toward blocking the transmission of HIV.

The Centers for Disease Control and Prevention have fundamentally restructured HIV prevention programs to put more control in the hands of local government and community-based AIDS organizations. Rather than a top-down approach to prevention programming, CDC now uses a bottom-up method that tailors programs to local needs. Members of the AIDS community are also participating in a number of Federal advisory groups, helping to shape policies that affect their lives.

In order to maintain national focus on the fight against HIV/AIDS, the White House Office of National AIDS Policy is developing a national plan on research, prevention, education and services for HIV/AIDS.

Case Study: Stephanie and Reyna

Stephanie is a 27-year-old woman living in California. During a routine prenatal care visit, she found out she is HIV-positive. Stephanie read about the results of NIH-sponsored research indicating that the use of AZT during pregnancy and childbirth would reduce the chance of her baby being born HIV-infected. Stephanie followed the guidelines set out by that research and her baby girl, Reyna, was born HIV-negative and remains healthy today. On December 1, 1994, Stephanie and Reyna visited with President Clinton to help commemorate World AIDS Day.

Case Study: Debbie

Debbie is a 27-year-old woman living with AIDS in a rural part of South Carolina. Until recently, few doctors in Debbie's hometown were willing to treat AIDS patients in part because so many were uninsured. With funding from the Ryan White CARE Act, the County Health Department opened the CHANGES clinic in Orangeburg, which operates six days a month with a rotating staff of five physicians and three nurses. The clinic's staff taught Debbie's mother to care for her daughter at home. When Debbie is too sick to come to the clinic, the staff come to her home. Not only has the clinic prevented more costly hospitalizations, it provides Debbie and her mother peace of mind. Debbie's Mom calls the staff her "guardian angels."

8E. WOMEN'S HEALTH

"[W]hen it comes to health care research and delivery, women can no longer be treated as second-class citizens."

President Clinton

October 18, 1993

National Breast Cancer Coalition

Actions to Date

President Clinton has taken an unprecedented and comprehensive approach to improving the health of American women and ending the inequities that have plagued research, clinical practice and education about health and disease in women.

- The President's 1996 budget for the Public Health Service (PHS) included \$2.0 billion for programs directly targeting women's health, an increase of \$551 million since fiscal year 1993.
- Since President Clinton took office, federal funding for breast cancer research at the National Institutes of Health (NIH) has increased 65%, to \$377 million in 1995 alone.
- To ensure the reliability of mammograms, the Food and Drug Administration has issued quality standards for mammography facilities.
- To combat physical and sexual violence against women, the President's crime bill established a National Domestic Violence Hotline, tripled federal funding for battered women's shelters, and authorized over \$200 million for competitive grant programs to fund rape prevention and education programs. The President also created a new Violence Against Women Office at the Justice Department and announced an initial \$26 million in grants under a new program to combat violence against women.
- The President acted swiftly to protect the reproductive health of American women by repealing the "Gag Rule" that restricted abortion counseling at federally funded family planning clinics, revoking the import ban on RU-486, and reversing the ban on abortion services at military hospitals.

Background

"In medical research, women have been on the sidelines too long, [there has been] too little research into the causes and cure of breast cancer and osteoporosis. Heart disease is the number one killer of women, but until recently, all of the search for a cure was centered only on men. The simple fact is that we've paid too little attention to the unique problems of women ... We're trying to change all that in this administration."

President Clinton

May 6, 1994

Remarks on Women's Health Care

Heart disease killed approximately 360,000 women and in 1992 was the leading cause of death in women. Breast cancer killed approximately 46,000 American women in 1993, and it is estimated that 1.5 million new cases will be diagnosed in the 1990s. That means that one in eight American women will develop breast cancer in her lifetime, up from one in 20 twenty years ago. And women's health is threatened not only by deadly diseases but also by an epidemic of physical and sexual assault; 20 to 30 percent of women's visits to emergency rooms are for treatment of injuries caused by domestic violence.

Not only is the incidence of acute and chronic illnesses greater among women, but women have poorer "health outcomes" than men. For example, the one-year post-heart attack survival rate is over one-half in men, but less than one-third in women.

Historically, women's health concerns have not been addressed adequately by the nation's medical research institutions and in the delivery of health care services. Research on diseases that affect women has been underfunded, and women have been underrepresented in clinical research studies.

The Initiative

In the [first] three minutes . . . of this talk, another American woman will be diagnosed with breast cancer. If I speak for 12 minutes, another woman will die of it during the course of the remarks. And yet we know that one in every three American women does not receive the basic services, like mammograph[y], which can help to detect breast cancers and that the cost of not dealing with this amounts to about \$6 billion a year to this country over and above all the human heartbreak involved.

Now that means that this is another one of those terrible American problems that is not only tearing the heart out of so many [American] families but also has left us again with no excuse for why we would spend so much money picking up the pieces of broken lives when we could spend a little bit of money trying to save them.

President Clinton
October 18, 1993
National Breast Cancer Coalition

The Clinton Administration has worked to improve women's health through a multi-faceted effort involving research, training, education, service delivery programs and collaborations with the private sector. To coordinate activities on women's health, the President appointed the first Deputy Assistant Secretary for Women's Health at the Department of Health and Human Services.

Illustrating the strength of the Administration's commitment to women's health, the Public Health Service's fiscal year 1995 budget for women's health was \$1.9 billion, an increase of almost \$147 million over 1994 levels and \$409 million since 1993. Almost half of these funds support research at the NIH on breast, cervical and ovarian cancer, on pregnancy, contraception and reproductive health, on osteoporosis, on lupus, and on female-controlled chemical barriers to protect women against HIV and other sexually transmitted diseases. The Administration will continue to invest in these critical areas.

Breast Cancer

The Administration has launched an attack against this deadly disease on a variety of fronts. The 1995 budget included \$387 million for breast cancer research at NIH; the Department of Defense has already distributed \$240 million to fund 450 research and training grants and will award an additional \$150 million allocated in the 1995 budget.

Early detection is a crucial weapon in the fight against breast cancer. The Administration has worked to improve the quality of breast cancer screening and to promote its use.

- The Food and Drug Administration (FDA) implemented quality standards for mammography facilities to ensure reliable mammograms. Working with the FDA, the Agency for Health Care Policy and Research (AHCPR) has developed and publicized guidelines on mammography to inform health care professionals and consumers about how to obtain a high quality mammogram.
- The PHS Office on Women's Health and the National Cancer Institute are facilitating collaborations among government, academia and industry to apply

imaging technology (currently used by the defense, space and computer graphics industries) to the early detection of breast cancer.

- The Administration has continued to support the Centers for Disease Control and Prevention's National Breast and Cervical Cancer Early Detection Program, through which CDC collaborates with States, the American Cancer Society and other organizations to provide greater access to screening and follow-up services, especially for low-income, elderly and minority women. With continued support, comprehensive early detection programs will reach women throughout the nation.

- First Lady Hillary Rodham Clinton has joined with the Health Care Financing Administration and the PHS Office on Women's Health to launch a campaign to educate Medicare beneficiaries and health care professionals about the availability of mammography benefits under the Medicare program and about the importance of regular breast cancer screening for older women. The goal of this nationwide campaign is to increase significantly the number of older women using this lifesaving benefit.

In addition to this activity, the PHS Office on Women's Health is coordinating the National Action Plan on Breast Cancer, a framework for action to prevent, diagnose, treat and ultimately to eradicate breast cancer through activities in three major areas: health care delivery, research, and policy. The action plan, formulated during a national breast cancer conference convened by the Secretary of the Department of Health and Human Services seeks to meet its goals by drawing on resources in both the private and public sectors; it involves consumer, health care professional, scientific organizations and private industry as well as the federal government.

In the next two years, the action plan expects to implement projects including:

- A screening test for the newly discovered breast cancer gene, accompanied by appropriate counseling procedures.

- The availability of breast cancer prevention, early detection and treatment information on the "information superhighway."

- The creation of a national patient tissue bank for easier testing of the reaction of breast cancers to certain chemicals.

Ensuring Equity in Medical Research

An important effort underway to redress the gender inequity in medical research is the NIH Women's Health Initiative, the largest clinical research study ever conducted. This initiative is an exploration of the major causes of death, disability and frailty in post-menopausal women: heart disease, breast and colon cancer, and osteoporosis. The multi-year study is also investigating strategies to prevent disease and promote good health for older women; for example, researchers are examining the effects of diet and vitamin supplements and of hormone replacement therapy.

The Office on Research on Women's Health within NIH is working to assure that women's health issues become an integral part of research throughout the scientific community. During the next year, the Office intends to support research on: lung cancer, urological disease, and auto-immune disease in women; reproductive health; occupational health hazards for women entering previously male-dominated jobs; mental and addictive disorders in women; and risk factors for disease in women of different racial, ethnic and socioeconomic groups. Over the next several years, the Office will focus its efforts on research on special health problems faced by women living in rural areas or in poverty.

Also over the next several years, NIH will be examining reproductive problems facing American women, such as endometriosis and uterine fibroids with the hope of finding better ways to prevent or treat these conditions so that fewer hysterectomies are necessary.

Minority Women

In 1993, the President signed the NIH Revitalization Act of 1993, requiring that women and minorities be included in all clinical research supported by NIH. Other efforts to address the health needs of minority women include the first National Minority Women's Conference cosponsored in 1994 by HHS, and several health education projects for women of color sponsored by the PHS Office on Women's Health. Upcoming efforts include an AHCPR project to evaluate ways to prevent low birth weight among minority and high-risk infants. In addition, the Administration and the Association of American Medical Colleges are developing a culturally appropriate women's health curriculum to be distributed to all medical schools. The new curriculum will present information that is currently omitted from medical school education.

Other Activities and Initiatives

- President Clinton has taken a number of important steps to protect women's reproductive health. In the first week of his Administration, he issued an Executive Order ending the prohibition on abortion counseling at family planning

clinics. The President also reversed the ban on abortion services in military hospitals and lifted the import ban on RU-486 (a drug already available in France, the United Kingdom and Sweden that terminates pregnancy without surgery). Testing of RU-486 is now underway in this country.

- The Administration has mobilized to fight violence against women. The President's crime bill created a National Domestic Violence Hotline to provide information and assistance; tripled the federal funding for battered women's shelters to a total of \$325 million over six years; and authorized \$200 million for programs to fund rape prevention programs and to educate and train health care professionals. The President also created a new Violence Against Women Office at the Justice Department and announced an initial \$26 million in grants under a new program to combat violence against women. In addition, the Centers for Disease Control and Prevention has embarked upon an initiative aimed at developing effective measures for reducing the threat that women face of physical and sexual assault at the hands of partners, acquaintances and strangers. The CDC will continue to work with States and public and private organizations to track violence against women, support education for providers and the public, and evaluate ways to prevent the violence.
- Concerns about environmental threats to women's health motivated the PHS Office on Women's Health to establish an interagency committee to evaluate and promote work on this issue. Over the next two years, agencies including the Department of Defense, the Department of Health and Human Services and the Environmental Protection Agency will foster initiatives to explore how pollutants at home, in the workplace and in the atmosphere damage women's health and to develop strategies to eliminate these environmental hazards.
- PHS has developed the "Put Prevention into Practice" program to improve the delivery of clinical preventive services including immunizations, Pap smears and other screening tests and counseling. The program provides health care professionals with a kit of materials to assist them in the performance of a broad range of preventive services for their patients as well as forms for patients and medical office staff to use to track needed preventive care.
- The Administration has developed a National Women's Resource Center to provide information about the prevention and treatment of substance abuse and mental illness.

Case Study: Georgia Ayres

When First Lady Hillary Rodham Clinton met recently with 250 elderly South Florida women at the Joseph Meyerhoff Senior Center, Georgia Ayres, a 66-year-old member of the National Council of Negro Women, participated with her in a panel discussion. Mrs. Clinton told the audience that the risks of getting breast cancer increase with age and that Medicare covers regular mammography screening that could save their lives. The group also talked about the mammography procedure itself and the reasons for the reluctance of some women to get mammograms. After Mrs. Clinton's visit, Ms. Ayres told the Ft. Lauderdale Sun-Sentinel, *"I've never had a mammogram. I've been afraid because I watched my daughter-in-law die of breast cancer. But now after this talk, I will go and make an appointment to have a mammogram."*

Case Study: Dr. Laura Esserman

When Dr. Laura Esserman began clinical work with breast cancer patients at the University of California, she realized that vaccine research she had previously conducted might be applied to the treatment of breast cancer. She hoped this would lead to safer, non-toxic treatments for breast cancer that could be used to treat the disease when it was first detected. The medical community found her ideas promising, and many scientists agreed to participate in her research. However, Dr. Esserman was unable to launch the project because, without preliminary data, she could not obtain a grant from traditional funding sources. She then found out about the Innovative Development and Exploratory Awards -- a part of the Clinton administration's breast cancer research program -- which awarded her two years of start-up funding. Her research is now underway and, while it is too soon to tell if it will lead to treatment breakthroughs, Dr. Esserman says that: *"Without the grant, I would never have gotten the opportunity to find out."*

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Divider Title: _____

9. ENVIRONMENT AND PUBLIC HEALTH

Introduction

We seek to set our course by the star of age-old values, not short-term expediencies; to waste less in the present and provide more for the future; to leave a legacy that keeps faith with those who left the Earth to us. That is the American spirit.

President Clinton
Earth Day 1994

Accomplishments:

The modern era of environmental protection began 25 years ago in 1970 with the first Earth Day, the passage of landmark legislation and the creation of the Environmental Protection Agency. The results are a great American success story, but much remains to be done. To succeed in the next 25 years, President Clinton is reforming health and environmental programs to make them work better and cost less, to better protect public health and to provide lasting opportunity for generations to come -- and standing up to those who would roll these programs back.

This introduction includes short descriptions of the President's main environmental accomplishments, as well as a brief description of this year's priorities. Following the introduction are three sections that describe the President's record in more detail.

- **Reinventing Environmental Regulation.** On March 16, 1995, the President announced a comprehensive set of 25 actions to make environmental protection work better and cost less, including a 25 percent cut in paper work to comply with environmental standards and a 6 month enforcement grace period for businesses which act in good faith.
- **Northwest Forest Plan.** Put Northwest communities back to work again, while conserving ancient forests for future generations.

- **Common Sense Initiative.** Launched an effort to make health protection cleaner, cheaper and smarter by focusing on results rather than one-size-fits-all regulations.
- **California Bay-Delta Water Agreement.** Negotiated a consensus plan that will protect the most valuable economic and environmental resource of the state of California. The San Francisco Bay and Delta estuary, which supports 120 species of fish, is also a critical link in a system that supplies drinking water to two-thirds of the state's people and provides irrigation for 45% of America's fruits and vegetables.
- **Recycling.** Signed an executive order to promote recycling, cut solid waste and create jobs.
- **Community-Right-to-Know.** Expanded requirements that companies disclose information about toxic releases in their area, putting power back into the hands of the people.
- **Protection for the California Desert.** Fought for and then signed the California Desert Protection Act, the largest single designation of parks and wilderness areas ever in the lower 48 states.
- **Environmental technology.** Supporting initiatives that increase American productivity and encourage innovative new solutions to tough environmental problems.
- **Fisheries Management.** Responded to developing fisheries crises on both coasts with improved management programs and economic assistance to families whose livelihoods are threatened by declining fish stocks.
- **Air Pollution.** Implemented an unprecedented measure to reduce by 90 percent the toxic air pollutants emitted from chemical plants by 1997.
- **Restoration of the South Florida Everglades Ecosystem.** Formed a partnership with the State of Florida that broke a six-year legal logjam and allows the country to restore the unique ecosystem of South Florida including the Everglades and Florida Bay.
- **Wetlands Reform.** Reformed the wetlands program to cut red tape, increase fairness and flexibility for landowners, and protect and enhance the nation's wetlands.

The President's priorities for 1995 include:

- **Reinventing Government.** Following through on a top-to-bottom reform of environmental regulation to create a new system based on achieving environmental results, not just complying with bureaucratic procedures.
 - **Superfund.** Building on a historic coalition that included everyone from the Chemical Manufacturers to the Sierra Club, to work with Congress again this year to reform Superfund to clean up toxic sites faster, more fairly and more efficiently.
 - **Safe Drinking Water.** Reforming the Safe Drinking Water Act to help local water systems protect their citizens' health and give people tap water they can trust, while ensuring that the law that governs our drinking water supply is as affordable as it is effective for our communities.
 - **National Parks.** Returning the Park Service to a sound financial footing and making the parks the best that they can be without burdening taxpayers, by reforming concessions practices and revising fee policies.
-

9A. PROTECTING PUBLIC HEALTH

"Preserving the environment is at the core of everything we have to do in our own country. Building businesses, creating jobs, fighting crime and drugs and violence, raising our children to know the difference between right and wrong, and restoring the fabric of our society."

President Clinton
Earth Day 1994

Actions to Date

In his first two years in office, President Clinton took the following actions:

- **Reinventing Environmental Regulation.** On March 16, 1995, the President announced 25 actions to make environmental protection work better and cost less, including a 25 percent cut in paperwork to comply with environmental standards and a 6 month enforcement grace period for businesses who act in good faith.
- Expanded **Community-Right-to-Know** reporting to require companies to tell people about toxic releases in their area. People will have information about nearly twice as many chemicals as before.
- **Common Sense Initiative.** Launched an effort to make health protection cleaner, cheaper and smarter by focusing on results rather than one-size-fits-all regulations.
- **Promoted recycling,** with actions such as an executive order directing the Federal government -- the largest purchaser in the world -- to buy recycled products.
- **Cut toxic air pollution.** The Clinton Administration took an unprecedented action to reduce by 90 percent the toxic air pollutants emitted from chemical plants.

Background

"I want to see a different approach. I want a government that is limited but effective, that is lean but not mean, that does what it should do better and simply stops doing things that it shouldn't be doing in the first place, that protects consumers and workers, the environment, without burdening business, choking innovation or wasting the money of the American taxpayers."

President Clinton
Announcing "Reinventing Environmental Regulation"
March 16, 1995

Twenty-five years ago our nation created from scratch the most advanced system of environmental protection in the world. The result is a system that is envied and copied around the globe. Where 25 years ago the roads were littered with boxes and beer cans, today we find 5,000 community recycling programs. Lead levels in our children's blood are down 70 percent. And the bald eagle soars again.

But much remains to be done, and while the current system of environmental protection has accomplished a great deal, it is reaching its limits. Over the years, environmental programs evolved into a complex and court-driven system of prescriptive regulation that often leaves little room for common sense. Increasingly, we pay too much for too little protection.

The answer is not to roll back health and environmental standards and return to the smoke and smog of yesteryear. The answer is not to add another layer of complex and inflexible requirements on top of the existing system -- or to create even more opportunity for lawsuits. People don't want a government that spends more of their money in order to get less done. People want a government that works better and costs less.

It is time to draw upon the lessons we have learned over the last 25 years and reinvent environmental protection. We have learned that the American people are deeply committed to a clean and healthy environment for their children and communities. We have learned that pollution is often a sign of economic inefficiency and business can make money by preventing it. We have learned that better decisions result from a collaborative process with people working together, than from an adversarial process that pits them against each other. And we have learned that standards that provide flexibility -- but demand accountability -- can provide greater protection at a lower cost.

To meet the challenges of the next 25 years, President Clinton is making common sense reforms to environmental programs to make them work better and cost less. He is working hard to protect our families' health and to provide lasting economic opportunities for generations to come. He is cutting through the bureaucracy to focus on results -- and allowing flexibility along the way. He is moving toward a system based on performance standards, flexibility and accountability. He is encouraging innovation and common sense.

The Initiatives

"Just as we yearn to come together as a people, we yearn to move beyond the false choices that the last few years have imposed upon us. For too long we have been told that we have to choose between the economy and the environment; between our jobs; between our obligations to our own people and our responsibilities to the future and to the rest of the world; between public action and private economy."

President Clinton
Earth Day 1993

The Clinton Administration is making environmental programs work better and holding the line against those who would eliminate them. President Clinton is expanding the Community-Right-to-Know program to put power back into the hands of the people, promoting recycling, cutting air pollution and increasing job-creating investments in "green" technologies. He is moving away from the prescriptive regulations of yesterday to the results-oriented programs of tomorrow.

Reinventing Environmental Regulation. On March 16, President Clinton announced a sweeping set of 25 reforms to make environmental protection work better and cost less. With this package, the President will expand the use of market-based emissions trading programs, make a 25 percent cut in the paperwork associated with meeting environmental standards -- a move that will save businesses and communities 20 million hours of work, cut the reporting system down to one step, create centers to help small businesses comply with environmental programs and give them a 6 month enforcement grace period when they act in good faith, give more responsibility to states, tribes and local governments, and save taxpayers billions of dollars by refocussing priorities for safe drinking water and hazardous waste. In addition to improving the current system, the President proposed fundamental reforms -- environmental protection for the 21st century. These reforms include **Project XL** -- for excellence and leadership -- a pilot project where EPA will allow 50 companies or communities to replace current regulatory requirements with an alternative system of the company's design if the company can do it cleaner, cheaper. In other words, if you've got a better way to do it, you can throw out the EPA rulebook.

Common Sense Initiative. The Environmental Protection Agency's Common Sense Initiative is both the name of a major program and a reflection of President Clinton's environmental philosophy. It is a reform to move from one-size-fits-all regulations to a system based on real results, the first program in the next generation of environmental protection. The approach will achieve results that are cleaner, cheaper and smarter -- cleaner for the environment, cheaper for business and taxpayers, and smarter for our children's future.

Community Right-To-Know. President Clinton expanded Community Right-to-Know laws to protect public health by requiring companies to disclose information about toxic chemical releases to the public. EPA added 286 harmful chemicals -- nearly doubling the current amount -- to the Toxic Release Inventory (TRI). The TRI program lists chemical releases and makes the data available to the public through outlets such as public libraries. At the same time, EPA made it easier for small businesses to provide information by creating a shorter, less time-consuming reporting form. The Community Right-to-Know program puts power back into the hands of the people.

Environmental Technology. The President's environmental technology initiatives are helping American business compete more effectively in the fast-growing global markets for "green" technologies, increasing American productivity, and encouraging innovative new solutions to tough environmental problems. Vice President Al Gore recently unveiled a new Rapid Commercialization Initiative to test and verify the performance of innovative technologies and get them to the market faster.

Air Pollution. The 100 million Americans who live in areas with polluted air will be able to breathe more easily. The President is working with States to develop common sense solutions to our nation's air quality problems and to implement strong new rules under the Clean Air Act, such as an unprecedented action to cut toxic air pollution from chemical plants 90 percent by 1997.

Leadership on Risk Analysis. The Clinton Administration is committed to basing its regulatory decisions on sound scientific evidence and ensuring that the benefits of its actions justify the costs. The President's executive order on Regulatory Planning and Review is the cornerstone of these efforts. The President recognizes that there is an important role for regulation in protecting public health, safety, and the environment for the American people. At the same time, he insists that government has a basic responsibility to govern wisely and carefully, regulating only when necessary and only in the most cost-effective manner.

Enforcement. EPA reformed its environmental enforcement program. In conjunction with the DoJ, EPA will get tough with polluters who threaten public health, but work with those

who act in good faith. The reforms include small business assistance centers and a 6 month enforcement grace period for small businesses who move quickly to correct violations.

Recycling. To boost recycling, promote environmental technologies, save taxpayers money and reduce the burden on landfills, President Clinton signed an executive order directing Federal agencies to purchase recycled and environmentally preferable products. The Federal government is the largest purchaser of goods and services in the world, and the Clinton Administration is putting that enormous purchasing power to work for recycling.

Leading by Example -- Toxics Reduction. President Clinton signed an executive order directing Federal agencies to cut their use of toxic substances 50% by 1999 and report those remaining emissions under Community Right-to-Know laws -- a move to open government that previous Administrations refused to make.

Leading by Example -- Energy and Water Efficiency. President Clinton signed an executive order directing Federal agencies to improve energy and water efficiency wherever it is cost-effective -- a move estimated to cut the government's taxpayer-funded utility bills \$1 billion annually by the year 2005.

Clean Cars. The Partnership for a New Generation of Vehicles is a historic new partnership between government and industry. This strategy will strengthen U.S. competitiveness by developing technologies for a new generation of vehicles up to three times more fuel efficient than today's -- a significant technological challenge that will require the introduction of entirely new technologies, rather than incremental improvements. This initiative will create jobs, spur economic growth and help Detroit continue to lead the world in auto technology, while reducing oil consumption and air pollution.

Case Study: Reinventing Environmental Protection

The Clinton Administration has launched an ambitious new pilot program that is revolutionizing the way we approach environmental protection. The current system of environmental regulation has accomplished a great deal, but it is reaching its limits. EPA is initiating a pilot program to develop a common sense system for the next generation of environmental protection.

Through EPA's Common Sense Initiative, we are bringing business, community groups, state and local representatives, and local environmental leaders together to find common sense, consensus strategies for addressing environmental problems.

This program will help us move beyond confrontation to consensus in solving this nation's environmental problems. Instead of a focus on specific problems caused on specific problems cause by individual pollutants, we are comprehensively looking at the overall environmental impacts of entire industries.

The six industries participating in the first phase of the Initiative -- automotive, computers and electronics, iron and steel, metal finishing, petroleum refining and printing -- form a sizable piece of the American economy. Comprising over 11% of the U.S. Gross Domestic Product and employing nearly 4 million people, these industries also account for 12.4% of the toxic releases reported by all American industries in 1992. The six industries share a key attribute: each is committed to working with the EPA and with national and grassroots environmental groups to find cleaner, cheaper, smarter ways to protect public health and our environment.

The Common Sense Initiative reflects the Clinton Administration's commitment to setting strong environmental standards while encouraging common sense, innovation and flexibility in how those standards are met.

This new approach to environmental protection is designed to achieve results that are cleaner, cheaper and smarter. Cleaner for the environment, cheaper for business and taxpayers and smarter for America's future.

Incineration. The Clinton Administration announced a tough new incineration policy that makes safety the number one priority, encourages industry to reduce waste, strengthens oversight of existing combustion facilities and tightens requirements for permitting new ones. New standards for municipal incinerators will result in a 95 percent reduction in emissions of dangerous pollutants.

Pesticides and Food Safety. The President is taking aggressive action to protect children and reduce the use of pesticides on food. At the same time, his Administration is working to move safer substitutes onto the market more quickly.

Greening of the White House. The President's initiative is making the White House a model for all Americans to follow -- demonstrating practical steps people can take to protect the environment, improve the comfort of their surroundings and save money. Specific actions include energy-efficient lighting, appliances, heating and cooling, as well as recycling and water conservation -- each of which improve the local environment and save taxpayers money.

Superfund. President Clinton proposed a major reform of Superfund, the bill that cleans up toxic dumps. One in four Americans still lives near a toxic dump site 14 years after Love Canal. Contaminated, neglected land costs communities jobs, development and their tax base. In the past, too much money that should have gone to clean up toxic dumps was spent on lawyers instead. Last year, President Clinton brought together in support of his Superfund reform an unprecedented array of interested parties, from environmental groups, insurers, businesses and communities. The Administration will work with Congress again this year to strengthen the Superfund law based on the following principles: cleanups must be faster, fairer and more efficient; we must promote economic redevelopment in our communities; less money should go to lawyers and more money should go to cleanups; and the polluter should pay.

Case Study: EPA's Brownfields Program -- Bill Robinson

"Poor neighborhoods in our cities suffer most from toxic pollution. Cleaning up toxic waste will create new jobs in these neighborhoods for those people and make them safer places to live, to work, and to do business."

President Clinton
Earth Day, 1993

In his first Earth Day message, President Clinton committed to revitalize urban communities by cleaning up abandoned pieces of contaminated land that are a blight to our communities, a threat to our health, and a terrible obstacle to economic growth.

The EPA Brownfields program is an innovative Administration initiative that awards grants to cities to redevelop contaminated land -- creating jobs and returning the land to productive community use. With the money provided by the grants, cities can promote economic development the way the local community believes it will work best. The program brings together people who live near contaminated land, businesses that want to get land cleaned up, community leaders, investors, lenders and developers.

Like many hard working Americans, Bill Robinson had a difficult time when his company relocated and he was unemployed for eight months. A forty year old man with three children depending on him, Mr. Robinson felt discouraged and had few prospects in Cleveland's depressed economy.

As part of a Brownfields grant to the City of Cleveland, Mr. Robinson now works as a Warehouseman Order Selector at Dedicated Transport, Inc. He is filling one of one hundred new trucking and warehouse jobs created by the redevelopment of contaminated, abandoned property in Cleveland. Dedicated and its sister company hope to employ another 100 people within the next year.

This initiative captures the best of what we can do together to revitalize the cities of this country. It is a common sense, cost-effective way to redevelop contaminated land and return it to productive community use, create jobs and preserve the green area outside our cities.

Safe Drinking Water. Safe drinking water is easily the biggest environmental concern of America's working families. Across the country, people are worried that they can no longer take the safety of their drinking water for granted. A year ago, millions of residents

of major U.S. cities -- such as Milwaukee, New York and Washington, DC -- were ordered to boil their water. One year after thousands of people got sick and 100 died after drinking contaminated tap water in Milwaukee, President Clinton proposed to reform the Safe Drinking Water bill to help local water systems protect their customers' health and give people tap water they can trust. The Administration will work to ensure that the law that governs our drinking water supply is as affordable as it is effective for our communities. The President will work with Congress again this year to improve the Safe Drinking Water Act and provide resources to communities so that they can do the job of keeping their citizens safe.

9B. TAKING RESPONSIBILITY FOR OUR LAND AND WATER

"All across this country, there is a deep understanding rooted in our religious heritage and renewed in the spirit of this time that the bounty of nature is not ours to waste. It is a gift from God that we hold in trust for future generations. Preserving our heritage, enhancing it, and passing it along is a great purpose worthy of a great people."

President Clinton
Earth Day 1993

Actions to Date

During his first two years in office, President Bill Clinton:

- Developed a **Northwest Forest Plan** to put communities back to work again and conserve ancient forests for future generations.
- Developed reforms to **exempt small landowners** from wetlands and endangered species laws.
- Reached an agreement with the state and water users over **California Bay-Delta Water**, the most valuable environmental and economic resource in the State of California.
- Reached an agreement with the State of Florida to **restore the Everglades**, home to more than 50 threatened or unique species, including the Florida Panther.
- Signed the **California Desert Protection Act**, the largest single designation of parks and wilderness areas ever for the lower 48 states.
- **Reformed the Wetlands Program** to cut red tape, increase fairness and flexibility for landowners, and protect and enhance the nation's wetlands.

Background

"If there is one commitment that defines our people, it is our devotion to the rich and expansive land we have inherited. From the first Americans to the present day, our people have lived in awe of the power, the majesty, and the beauty of the forest, the rivers, and the streams of America."

President Clinton
Earth Day
April 21, 1993

The American conservation ethic dates back to the very first days of our country's history and to the farmers, hunters and fishermen who made our country great. Americans have always understood that if they want their children to continue farming or fishing at a living wage, they must look after the land and the water. And we have always felt a deep, moral duty to be responsible caretakers of the Earth for those who come after us.

A century ago, Congress created the world's very first national park at Yellowstone. As American as baseball and jazz music, national parks are an idea that virtually every nation has since copied. The national parks are one of America's greatest treasures; their beauty is unsurpassed.

A century later, resource management of our land and water requires a new approach beyond simply setting it aside. We can use our resources both for economic development today and to fulfill our responsibilities to the future, but only with careful planning and commitment. Where economic needs and environmental imperatives come into conflict, it is usually the result of poor management or a failure to make tough decisions until a situation gets so bad it can no longer be ignored.

President Clinton inherited a number of these poorly managed situations -- looming crises brought on by the Federal government's refusal to assume its share of the responsibility for looking after our nation's land and water. In the Pacific Northwest, the Federal government failed to set up a responsible old-growth forest management plan, and a judge blocked all timber cutting on those lands -- a drastic blow to timber-dependent families. In New England and the Northwest, fisheries collapsed following years of pollution, overfishing and changes in climate patterns -- a drastic blow to the men and women who were dependent on the industry.

President Bill Clinton is standing up for those families. Rather than ignoring these crises, President Clinton went to work and addressed them directly. Issue after issue -- from California water use to the Florida Everglades -- he is finding solutions where others had seen only problems.

The Initiatives

"If we have the vision, the will and the heart to make the changes we must, we can still enter the 21st century with possibilities our parents could not even have imagined and enter it having secured the American Dream for ourselves and for future generations."

President Clinton
February 17, 1993

President Clinton promised that he would take responsibility for our places of natural beauty and ecological significance; that he would look out for our national parks, national marine sanctuaries, wilderness areas, old growth forests and wetlands; that he would support programs that put people to work today and contribute to a better world tomorrow. During his first two years in office the President developed a forest plan for the Northwest, helped fishermen get back on their feet again, reached a historic agreement to manage California water and signed the California Desert Protection Act.

Northwest Forest Plan. For years, mismanagement and conflict over timber cutting in public forests threatened the livelihood of people in the Pacific Northwest. To put an end to the gridlock and put people back to work, President Clinton convened the Forest Conference in Portland, Oregon, shortly after taking office. For the first time, he called on environmentalists, timber companies and citizens as well as states, tribes and local governments to come together around one table to hammer out a solution. The President's Northwest Forest Plan is forcing government agencies to work together to restore the economic health of the region's communities and the vitality of the region's ancient forests. The Administration is awarding more than \$1.2 billion in grants and loans over five years to more than 100 communities throughout the region to help people through their period of transition, and putting people to work with more than 600 watershed restoration projects to protect the environment for years to come. The President's Forest Plan was recently upheld by the judge who earlier blocked all cutting. That means that for the first time since 1991, forest management is out of the courtroom and back in the communities where it belongs.

California Bay-Delta Water Agreement. In a triumph of common sense over politics-as-usual, the President recently reached an agreement with the State of California and farmers, urban interests and environmentalists to protect the San Francisco Bay and Delta. Under the agreement, the state will set water quality standards to protect the health of the natural environment and the health of the region's communities. The agreement is a boost for the regional economy, bringing a reliable water supply to water users across the state. The agreement comes after decades of conflict over water, most critical of Western resources. The Bay-Delta estuary is a critical link in a system that supplies drinking water to two-thirds of the state's population and provides irrigation water for 200 crops, including 45 percent of the nation's fruits and vegetables. This estuary, which supports 120 species of fish, is one of the Nation's most diverse wetlands habitat.

Restoration of the South Florida Everglades Ecosystem. The Administration and the State of Florida launched an unprecedented partnership in 1993 to restore the Everglades, Big Cypress, and Lake Okeechobee. The tourism-based economy of South Florida depends significantly on the health of this natural environment. The area is home to five million people and more than 50 endangered or threatened plants and animals, including the Florida Panther, the Bald Eagle and Audobon's Crested Caracara. In recent decades, wetland habitat areas have declined 50 percent and populations of wading birds such as the Snail

Kite and Wood Stork have declined 90 percent. Public water supplies along the coast are increasingly vulnerable to salt water intrusion due to losses of fresh water. Commercial and recreational fisheries in Florida Bay have declined dramatically in recent years. This partnership ends years of litigation and will improve both the quality and the quantity of water -- helping to preserve these national treasures and keep the Florida economy strong.

California Desert Protection. In October 1994, the President signed the historic California Desert Protection Act, to preserve for future generations a resource of extraordinary and inestimable value. It is the first time since 1980 that the United States has set aside so rich and vast an area -- public desert lands that include broad vistas, rugged mountain ranges and unique archeological sites. The Act designates 7.7 million acres of federal lands as wilderness and adds three million acres to the National Park System, including magnificent lands next to the Death Valley and Joshua Tree National Monuments, both of which now become National Parks.

Building Sustainable Fisheries. President Clinton responded rapidly to developing fisheries crises in New England and the Pacific Northwest. To help communities in the short run, he is taking the unprecedented step of providing economic adjustment assistance to several thousand people whose jobs are affected by the crises. For the long run, the effort includes an improved fisheries conservation program to manage the stocks and ensure lasting work for fishermen.

Wetlands Reform. The President developed a bold reform package for the nation's wetlands protection program that reflects the vital need for effective protection and restoration of the nation's wetlands, and includes much needed reforms to increase the fairness and flexibility of Federal regulatory programs for landowners. Significantly, the reforms essentially relieve homeowners of the need to apply for wetlands permits to build or modify their homes. The reform also includes a more active role for states, tribes and local governments. Finally, the Administration set a goal not only of "no net loss" of wetlands, but also of restoring wetlands that had been previously lost. Wetlands filter and cleanse water, buffer against flooding, and are among the most prolific ecosystems in the world; we have lost more than one-half of the wetlands in the lower 48 states since Colonial times.

Case Study: Northwest Forest Plan --Economic Revitalization

"It is time to break the gridlock that has blocked action and bring all sides together to craft a balanced approach to the economic and environmental challenges we face."

President Clinton
March 10, 1993

When President Clinton convened the Forest Conference in Portland, Oregon in April 1993 he did it to break the gridlock over forest management that had tied up the region's economy for years. His forest plan is protecting public forests for future generations and giving new life to local communities. With the Northwest Economic Adjustment Initiative of the forest plan, he is helping people hurt by the forest crisis get back on their feet.

The Initiative is comprehensive. President Clinton's program is putting people to work, providing worker training, and giving assistance to families, communities and businesses. The result is better government that works for people:

In Sweet Home, Oregon, dislocated timber workers are receiving training, on-the-job experience, and family wages as they work to restore valuable watersheds.

In Weaverville, California, Federal grants and loans are at work building a new sewage treatment system that will protect the community's health and provide for a more certain economic future.

In Forks, Washington, money from state sources and Federal agencies is helping to build a secondary wood products manufacturing center that will breathe new life into this traditionally timber-dependent community's economy.

In Douglas County, Oregon, an area hit hard by the decline in timber harvests, the Roberts Creek Water District has lacked an adequate supply of treated water. As a result, the District placed a moratorium on new development in 1992, making it hard for people to go back to work in new jobs and making it hard for the District to provide acceptable fire protection to the area. With assistance from the forest plan and from the state the District will now be able to fund the water treatment plant expansion. Already, the Ingram Book Company has committed to locating in the District -- a commitment that will translate into 200 new jobs.

AmeriCorps -- National Service and the Environment. Young people in AmeriCorps, President Clinton's national service program, are giving more than 10 million hours of direct service in environmental protection. Nearly one-third of the 20,000 AmeriCorps

members are working in urban neighborhoods and rural landscapes to eliminate environmental hazards and conserve natural resources.

Recovery of the Bald Eagle. On July 4, 1994, the Administration proposed to take the bald eagle off the endangered species list. This success story reflects 30 years of hard work to save the bald eagle -- the symbol of America's freedom.

Strengthening the National Parks. The President is taking strong action on behalf of America's National Parks. He proposed a funding increase of 18 percent for the Park Service operations in his first budget, and is pushing to reform concession contracts to give taxpayers a fair share of the profits made by vendors in the parks. Currently, the average concessionaire pays less than 3 percent of revenues for the exclusive right to sell products to park visitors -- a rate far below what most businesses would be willing to pay. Raising that rate by a small amount would bring millions into the parks.

Reform of Endangered Species Protection. Our Nation's plants and animals are treasures we hold in trust for future generations. When environmental protection has collided with economic growth, the cause has often been poor administration of laws such as the Endangered Species Act. The President is committed to innovative administration of these laws to avoid crisis management and make them work, without burdening small landowners. For instance, the Administration recently announced general exemptions from ESA enforcement for most activities on single home residential tracts and for other activities that affect less than five acres.

Case Study:
Ruben Alarcon -- AmeriCorps

"In our own lives, in our own ways, each of us has something to offer to the work of cleaning up America's environment. And each of us surely has something very personal to gain."

President Clinton
Earth Day 1993

Luis Ruben Alarcon is working in low-income areas in and around El Paso, Texas, along the Mexican border. He is joining other AmeriCorps members and the Retired Senior Volunteer Program to clean up the area's water and protect his neighbors' health.

"AmeriCorps has provided me a great opportunity to get hands-on training in the field of environmental protection," he says. "It also allows me to participate in our community, something I believe in firmly."

Ruben turned down a full scholarship at M.I.T. in order to stay in El Paso and help provide for his mother, a new U.S. citizen with a third grade education, who works at a maquiladora for the minimum wage. He studies chemistry and engineering full-time at the University of Texas El Paso, dedicates himself to serving his community through AmeriCorps and holds down an additional job to provide for his mother.

"I can't thank AmeriCorps enough for this opportunity," he says. "I feel like I belong to something that's very important, something that's much bigger than me."

The region's two million people rely on groundwater sources of drinking water that are increasingly contaminated. According to local health officials, a large number of the health problems they see appear to be caused by polluted water. Ruben and the AmeriCorps members are working to change that and to protect the health of his community.

Flood Prevention. The Administration is examining new approaches to flood damage reduction and flood plain management, the need for which was highlighted by the recent floods in the Midwest, the South and California. Our goal is to protect the safety of all

Americans in flood-prone areas and reduce economic damages associated with floods in an environmentally sensitive manner.

9C. INTERNATIONAL LEADERSHIP

"The nations of the world are working together to achieve what is now called 'sustainable growth' -- growth that meets the needs of the present without sacrificing the needs of the future. It's an ethic as modern as microprocessors and as old as the Scriptures."

President Clinton
Earth Day 1994

Actions to Date

During his first two years, the President:

- Expanded U.S. **environmental technology exports** to put Americans to work cleaning up the global environment.
- Helped forge international consensus on a global plan to **slow population growth**.
- Created the **GLOBE** program to give students a better way to learn about science.
- Signed the **Biodiversity Treaty** to preserve irreplaceable genetic resources from the world's plants and animals.

Background

"We have to work to stop famine and stabilize population growth and prevent further environmental degradation . . . None of us can live without fear as long as so many people must live without hope. That's why we're working around the world to protect fresh water resources, to preserve forests, to protect endangered species, leading a fight for strong environmental protection in our global negotiations on trade."

President Clinton
Earth Day 1994

With the end of the Cold War, tension over scarce natural resources and environmental degradation is increasing, threatening to erupt into regional conflicts that could harm US interests. While computers move more than a trillion dollars through the world's financial markets every day, one billion of the world's citizens live in abject poverty, more than two billion people have no access to sanitation, and every day 40,000 human beings -- mostly children -- die of hunger, malnutrition or unsafe drinking water.

At current rates, 90 million people will be added to the world every year -- the equivalent of a New York City every month. Although we have made great strides in protecting our natural environment, air and water pollution, deforestation, declining fish catches and the loss of biodiversity continue to be grave problems. If the poorer nations of the world grow to match resource-use patterns of the developed world, we would need 10 times the current amount of fossil fuel and approximately 200 times the mineral wealth. Meanwhile, soil scientists have estimated that an area equal in size to China and India combined have experienced soil deterioration since World War II. In a world of increasingly scarce basic resources, conflict is more likely. It is in every American's best interest for the United States to assume a position of global leadership in protecting the international environment.

The Initiatives

"Working together, we can ensure that the world we leave to the future holds the same promise and opportunity as the one we inherited from the past."

President Clinton
March 14, 1994

President Clinton and Vice President Gore have helped ensure that America lead the world, not follow, on global environmental issues.

Environmental Technologies Export Strategy. For the first time, U.S. firms can rely on support from the Federal government in opening overseas markets for environmental technologies. The President's strategy is to work with business, accelerate technology development, improve export financing, and coordinate the 20 or so federal agencies who currently have roles in this area. The strategy targets specific markets such as Mexico, where the elimination of 20 percent tariffs on environmental technologies through NAFTA and an urgent need for environmental solutions are creating strong demand.

Population. At the 1994 International Conference on Population and Development in Cairo, the United States helped forge a historic consensus on a global program to slow population growth. The approach includes increased availability of family planning services, a commitment to improving women's health, the empowerment of women, and a reduction in infant and child mortality.

GLOBE. Vice President Al Gore launched the Global Learning and Observations to Benefit the Environment (GLOBE) program to give schoolchildren a better way to learn about science. GLOBE will create a worldwide network of K-12 students who will work under the guidance of teachers to make environmental observations near their schools, report their data to a GLOBE processing facility and view images created from worldwide GLOBE data in their classrooms.

Case Study: Environmental Technology Exports

"There is now a \$200 billion to \$300 billion market for environmentally-conscious products . . . Last October, we started our strategy to help American companies, large and small, get their share of that market. If your company makes a product or offers a service that will protect the environment all over the world, you can find capital, customers and expert advice."

President Clinton
Earth Day 1994

On September 28, 1994, Radian Corporation won a \$2.5 million contract in Thailand, thanks in large part to the President's initiative to promote environmental technology exports. With the bid, Radian will provide equipment, systems integration and support services for the first eight ambient air monitoring stations in Thailand.

Radian won the contract with effective export promotion assistance -- six Federal agencies combined to provide key promotional, financial and advocacy to help them close the deal. As a result of the contract, Radian may be able to open a Southeast Asia regional office to expand its Asia sales.

Whale Conservation. The United States succeeded in gaining support to create a whale sanctuary in the Southern Ocean around Antarctica, where commercial whaling will be prohibited. The 11.8 million square mile area covered by the sanctuary is adjacent to an existing Indian Ocean sanctuary; together these two sanctuaries are home to three-quarters of the world's whales. Programs such as these work -- the California Grey Whale was recently removed from the Endangered Species List because the population has returned to pre-whaling levels.

Climate Change Action Plan. The Administration is implementing a comprehensive national strategy to reduce greenhouse gas emissions to 1990 levels in the year 2000 -- a commitment previous administrations were unwilling to make. The Climate Change Action Plan saves government and industry money and spurs economic growth. In one Department of Energy program, more than 800 of the nation's electric utility companies have already signed voluntary pledges to limit greenhouse gas emissions under the Action Plan.

Biodiversity Treaty. Winning praise from environmentalists as well as the agriculture, pharmaceutical and biotechnology industries, the President signed the Convention on Biological Diversity, an international agreement to stem the extinction of species and preserve irreplaceable genetic resources for medicines and other valuable products.

Ocean Dumping. The United States took the lead among the world's nuclear powers and achieved a global ban on ocean dumping of radioactive waste at the London Convention. The U.S. was the first of the nuclear powers to advocate the ban.

NAFTA. The President negotiated a strong side agreement to protect the environment and helped pass NAFTA with the support of a large portion of the environmental community. The treaty sets a new environmental standard for trade agreements. Innovative "green" provisions will help protect the environment and improve the quality of life on both sides of the border.

Development Financing. The United States is leading the fight for environmental reforms in the World Bank and other multilateral financial institutions. One result is a new World Bank policy that gives affected people access to information and environmental assessments on major projects. The United States also put forward the blueprint for restructuring the Global Environmental Facility, making it more democratic and more accountable.

Summit of the Americas. The Summit of the Americas focused on three central themes: strengthening democracy, expanding hemispheric economic integration, and promoting sustainable development. Economic prosperity and social progress can only be achieved if the health of the people is protected and natural resources are used responsibly. The President forged historic agreements with all leaders in the Americas to achieve lasting opportunities for all.

Desertification. On October 14 the United States signed the United Nations Convention to Combat Desertification. The Convention marks an important step for the U.S., France and other developed countries in our efforts to work with Africa and other developing areas to rebuild and protect their resources as they develop a sustainable economy.

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10

Divider Title: _____

10. A STRONGER, HI-TECH, DEREGULATED ECONOMY

Introduction

The Clinton Administration has moved on a variety of fronts to build the kind of high-investment economy that will secure this nation's economic leadership as we near the threshold of a new century. The Administration is pursuing a broad-based strategy that (i) improves the physical infrastructure that serves as the arteries of our economy; (ii) promotes the development of cutting-edge technology, including the information superhighway; (iii) removes unnecessary regulations in a variety of businesses from interstate banking to local trucking; and (iv) champions the interests of small business.

In its first two years, the Clinton Administration has made important strides:

- **Infrastructure.** It has increased public investment in infrastructure while cutting the federal budget deficit for three years in a row, increasing core highway and mass transit grants, rail transportation in the Northeast Corridor, facilities and equipment for the air traffic control system, and assistance to help states improve their environmental facilities.
- **Information Superhighway.** It is working to promote competition and to remove regulations in the high-technology communications business, speeding the development of an information superhighway that will connect our businesses, classrooms, libraries, hospitals and clinics as we approach the 21st century.
- **Technology for Economic Growth.** It has promoted the development of technology through incentives for private sector investment, establishing government-industry partnerships in crucial technologies, and maintaining our historically strong support for basic research.
- **Interstate Banking.** It has lifted the outdated, artificial restrictions on interstate banking, boosting the competitiveness of the banking industry, while enhancing efficiency, and the supply of credit and customer service.

- **Intrastate Trucking.** It has extended the deregulation of the trucking industry from interstate deregulation, which began in 1977, to intrastate deregulation, reducing paperwork and increasing competition within state markets.
- **Small Business.** It has advanced the cause of small business through a four-part strategy focussed on improving access to capital; creating incentives for investment; improving the regulatory environment; and expanding access to new markets.

10A. IMPROVING THE NATION'S INFRASTRUCTURE

Actions to Date

- The President has **increased federal funding for infrastructure** investment while **cutting the budget deficit** for three years in a row. Federal funding increased for investments in:
 - core highway and mass transit formula capital grants,
 - research on "smart cars/smart highways" that use advanced technology to reduce congestion and speed traffic flow,
 - rail transportation in the Northeast Corridor,
 - facilities and equipment for the nation's air traffic control system,
 - assistance targeted to environmental facilities on our borders and in cities that meet stringent criteria.
- To speed modernization of the Nation's air traffic control system, the Administration proposed that the Federal Aviation Administration (FAA) **transfer its air traffic control service to a wholly-owned government corporation**. Exemptions from many federal procurement, personnel and budget restrictions would provide much needed flexibility.
- In December 1993, the Clinton Administration submitted legislation to designate a **National Highway System (NHS)**. The NHS would focus federal resources on an interconnected system of high-priority highways to serve both economic and national security needs.
- The Clinton Administration has fought to **expand State Revolving Funds** so that states and localities could better meet the requirements of the Safe Drinking Water Act.

Background

"A smoothly functioning transportation system is a fundamental building block of a growing economy and a prosperous society. The ability to move people and materials safely and efficiently affects the price of goods in our markets, our ability to sell products overseas, and the lives and livelihoods of all Americans. The decisions we make now in transportation will serve as the catalyst for improving both the safety and quality of life for our citizens for decades to come."

President Bill Clinton

May 16, 1994

Proclamation 6689

National Transportation Day

President Clinton has worked to increase the public investment that is crucial to our nation's economic well-being. Like private investment, public spending on infrastructure -- such as roads and highways, water resources projects, and environmental facilities -- lowers firms' costs and increases their productivity, thereby improving their ability to compete in the global economy.

Public infrastructure investments also promote our quality of life in a variety of ways, such as protecting our environment. Between 1972 and 1992, the percentage of waterways that met the goals of the Clean Water Act rose from about 30 percent to about 60 percent, largely because of investments by federal, state and local governments in wastewater treatment facilities.

The Initiative

"This new era requires a new way of thinking about transportation needs. The challenges we face in today's transportation arena involve making what we have already built work better. By reinforcing and modernizing the existing infrastructure, we can create jobs, spur even more technological development, and fuel long-term economic growth."

President Bill Clinton

May 16, 1994

Proclamation 6689

National Transportation Day

In the next two years, the Administration will seek fundamental changes in federal programs designed to improve the nation's infrastructure facilities. These changes would give States and localities far greater control over the use of federal infrastructure grants, and focus the efforts of federal agencies on their core missions.

The most fundamental changes would occur in our transportation program. The Administration's proposal includes complementary components that would further the core principles of the 1991 Intermodal Surface Transportation Efficiency Act (ISTEA) -- providing State and local communities with the flexibility that they need to use Federal transportation funds most efficiently; and integrating all forms of transportation into a seamless web that will serve America well into the next century.

The principal components in the Administration's proposal include:

- *Unified Transportation Grants.* The Unified grant would give States and local communities unprecedented flexibility in deciding how to invest the bulk of Federal transportation funds. More than 30 categorical grants would be consolidated into a single program that could be used for the construction or repair of any highway, mass transit system, passenger or shortline-freight rail, or airport facility. Instead of tying all funding to specific types of transportation, and forcing State and local communities to choose transportation solutions based on available funding, the Unified grant would allow States and localities to tailor the mix of transportation investments to the particular needs of each community. The program would secure essential Federal interests through a limited number of set-asides (one set-aside, for example, would ensure the maintenance and improvement of the Interstates and the new National Highway System.) A transition program would honor commitments made under current programs for specific state and local projects.
- *State Infrastructure Banks (SIBs).* Federal grants that capitalize a network of SIBs would allow States and localities to leverage public and private resources, thereby achieving a greater level of infrastructure investment from a given amount of federal spending.

Under the Administration's proposal, the Federal government would provide SIBs with seed money of \$2 billion per year. SIBs would be allowed to leverage these Federal funds not only by issuing bonds secured with Federal grant money, but also by using the funds to support public-private partnerships. With Federal capitalization grants, SIBs would be able to institutionalize public-private partnerships and to provide the specially-tailored financing that such partnerships need to succeed.

- *Discretionary Grants.* These funds would be targeted at strategic transportation projects of national or regional significance that States and localities could not initiate without Federal aid or coordination. Retaining these discretionary funds at the Federal level would advance national projects that otherwise might be stymied by inadequate local resources or the inability of multiple jurisdictions to resolve their differences without Federal assistance.

The Administration will press for action on other infrastructure programs:

- The Administration will seek enactment of its legislative proposal to modernize the **air traffic control** system by transferring it from the FAA to a wholly-owned government corporation, free from unnecessarily restrictive procurement, personnel and budget rules.
- The Clinton Administration will seek \$1 billion over 10 years to maintain a modern U.S. Merchant Marine at levels needed to protect U.S. national security interests.
- The Administration will continue to seek Congressional authorization to capitalize State revolving funds that would be used to finance the State and local facilities needed to meet the requirements of the **Safe Drinking Water Act**.
- To meet rural needs more effectively, the Administration will propose providing more flexibility in the allocation of loans and grants for **rural water and wastewater disposal**. This should enable State Directors to target Federal assistance to the highest priority programs.
- The Bureau of Reclamation will shift its emphasis from construction to resource management. For example, the Bureau's construction program would include funds to **promote water conservation and help restore native fisheries** on the Columbia and Snake Rivers in the Pacific Northwest and the rivers of California's Central Valley.
- Based on a comprehensive review of all **small watershed projects**, the Department of Agriculture will fund only those projects that have local support, meet high environmental standards, and achieve high economic and ecological returns. In addition, the Administration will seek legislative changes that allow the small watershed program to emphasize nonstructural measures to restore waterways, water quality, riparian habitats, and wetlands.

10B. THE INFORMATION SUPERHIGHWAY

"...we must also work with the private sector to connect every classroom, every clinic, every library, every hospital in America into a national information superhighway...instant access to information will increase productivity, will help to educate our children...provide better medical care ...[and] create jobs."

President Clinton
January 25, 1994
State of the Union

Actions to Date

- The President gave a boost to the wireless industry by signing into law the Emerging Telecommunications Technology Act. By giving the FCC the ability to auction spectrum, this legislation will reduce the deficit by more than \$12 billion while creating new wireless industries and over 300,000 new jobs.
- The White House is now "on-line." Using the Internet, Americans can send e-mail to the President and Vice President, take a virtual tour of the White House, and access any one of 3,000 White House documents. Over 400,000 people used this service in the first two months that it was available to the public. Over 10,000 people access the White House Web Server every day.
- The Administration is working with Congress to reform the Communications Act of 1934. By promoting competition between telephone companies and cable companies and eliminating outdated regulations, this legislation will lower prices for services, give customers more choice, and accelerate private sector investment in the information superhighway.
- The President and Vice President have set a goal of connecting every classroom, library, hospital and clinic to the information superhighway by the year 2000. This challenge has already motivated communities across the country to form partnerships between the private sector and government to meet this goal.
- The Administration is promoting applications of this technology in areas such as health care, education, training, manufacturing, and delivery of government services, and is working to ensure that these applications are accessible in rural communities as well as the inner cities. This is being accomplished through programs like the Telecommunications Information Infrastructure Assistance Program.
- The Administration is continuing to invest in the High Performance Computing and Communications Program, a research initiative designed to keep America at the cutting-edge of these 21st century technologies.

Background

For many years, the U.S. telecommunications system was dominated by a private monopoly. American consumers bought their phone equipment, residential telephone

service, and long-distance service from a single company. With the break-up of AT&T in 1982, this began to change. The market for telecommunications equipment became much more competitive. Companies such as MCI and Sprint began to compete against AT&T. Since divestiture, prices for long-distance service have fallen by 50 percent, investment in a digital, fiber-optic network has been accelerated, and U.S. consumers have more and better choices. The challenge now is to introduce competition in those markets still dominated by monopoly, such as local telephone service and cable television.

The U.S. infrastructure for communications is moving far beyond traditional telephone networks. The Internet computer network, which was started by the Defense Department's Advanced Research Projects Agency in the late 1960's, now connects 20 to 30 million users all over the world. People use this network to send and receive e-mail, share information through specialized news groups, and browse through on-line electronic libraries. Although this network was originally funded by the federal government for research and education purposes, the Administration has encouraged the private sector to take the lead in expanding the network on a commercial basis.

These two trends -- competition and the development of new services and new technologies -- will accelerate as we move toward the 21st century. The "information superhighway" will eventually allow us to send and receive voice, video and data over high-speed networks. President Clinton and Vice President Gore believe that these new information and communications technologies will revolutionize the way Americans work, learn, live, and communicate with each other. The information superhighway will be composed of: high-speed networks, devices such as computers, interactive televisions, and video-phones, the information and services available over these networks, and the skills that are required to build and use these networks.

The implications of the information superhighway go far beyond 500 channels of TV. In some areas:

- Students can tap into digital libraries open 24 hours a day, and collaborate on science projects with other students all over the world;
- Americans in rural areas have access to the best medical advice in the country through telemedicine;
- Workers can acquire new skills through on-line, interactive courseware;
- Citizens have easy access to government information and services, making government open, responsive, and user-friendly; and
- New industries are spurring economic growth and the creation of high-wage jobs.

The Initiative

Unlike the Interstate Highway System, the information superhighway is being built, owned, and operated by the private sector. The role of government is to act as a catalyst.

The Clinton Administration is taking a number of important steps to promote the information highway:

- The Administration is working with Congress to reform our nation's communications laws. By promoting competition between telephone companies and cable companies and eliminating outdated regulations, this legislation will lower prices for services, give customers more choice, and speed up private sector investment in the information superhighway. The Council of Economic Advisors estimates that passing legislation could increase GDP by \$100 billion over the next decade, while generating 500,000 new jobs.
- The President and Vice President have set a goal of connecting every classroom, library, hospital and clinic to the information superhighway by the year 2000. This challenge has already motivated communities across the country to form partnerships between the private sector and government to meet this goal.
- The Administration is promoting applications of this technology in areas such as health care, education, training, manufacturing, and delivery of government services.
- The President gave a boost to the wireless industry by signing into law the Emerging Telecommunications Technology Act. By giving the FCC the ability to auction spectrum, this legislation will reduce the deficit by more than \$12 billion while creating new wireless industries.
- The federal government is now "on-line." Using the Internet, Americans can send e-mail to the President and Vice President, take a virtual tour of the White House, and access any one of 3,000 White House documents. Students and teachers can get educational resources, such as information on student loans and the Administration's Goals 2000 initiative. Entrepreneurs seeking to start or expand small businesses can get information on financing offered by the Small Business Administration, or on technologies being developed at our National Labs.

- The Administration is continuing to invest in the High Performance Computing and Communications Program, a research initiative designed to keep America at the cutting-edge of these 21st century technologies.

Case Study:
Making Learning Exciting -- Preparing Our Children For The 21st Century

The Administration is expanding the use of the information highway in the classroom by putting more information on-line, encouraging states and communities to use technology as a powerful tool for educational reform, and funding pilot projects to demonstrate that technology can improve student performance. Initiatives at the Department of Education and the National Telecommunications and Information Administration are helping schools connect to the Internet and other on-line services.

Fortune recently concluded that "from Harlem to Honolulu, electronic networks are sparking the kind of excitement not seen since the space race...In scores of programs and pilot projects, networks are changing the way teachers teach and students learn."

Access to computer networks is already making a real difference in many schools. Students can take "virtual" field trips to art galleries and museums, "do" real science instead of just reading about it, and collaborate with their peers all over the world. Teachers can exchange lesson plans and keep parents more informed about the progress of their children. Listen to an educator in rural Texas on the impact networks are having in the classroom:

"Since we are trying to prepare kids for a world of which we can't conceive, our job as educators MUST be to teach kids how to learn, how to access information, and how to accept change...Many of the school districts in my region are small and lack the resources and specialized personnel of the larger districts. TENET (Texas Education Network) can help balance those scales. The smaller districts can now access NASA, leave messages for the astronauts, browse around in libraries larger than any they will ever be able to visit, ...discuss world ecology with students in countries around the world, read world and national news that appears in newspapers that are not available in their small towns, work on projects as equals and collaborators with those in urban areas, and change the way they feel about the size of their world. This will create students that we could not create otherwise. This is a new education and instruction."

Case Study: Empowering Americans With Disabilities

In 1994, the Commerce Department awarded a grant to the World Institute on Disability to expand access to the information superhighway for Americans with disabilities. Working with industry, the Institute and its partners will help ensure that new information technologies will be designed to expand access for Americans with disabilities. This can make all the difference.

"I am a C5 quadriplegic living in Silicon Valley and...have been disabled for ten years from a motor vehicle accident in 1983. I use computer telecommunications daily in numerous different functions. Telecommunications has opened up a new world, allowing me to communicate via e-mail with colleges, government agencies, and organizations. The future success of telecommunications is phenomenal, especially for the disabled community. It not only allows a person unable to go out into the community to access endless amounts of information, but also permits disabled persons, such as myself, to eventually return to the workforce (via telecommuting) and become productive citizens again."

"I have a dream of some day starting a nationwide bulletin board for attendant care for the disabled community. It would be an attendant registry that would permit disabled persons to hire attendants anywhere in the United States and find qualified and compatible employees."

10C. TECHNOLOGY FOR ECONOMIC GROWTH

"Investing in technology is investing in America's future: a growing economy with more high-skill, high-wage jobs for America's workers; a cleaner environment where energy efficiency increases profits and reduces pollution; a stronger, more competitive private sector able to maintain U.S. leadership in critical world markets; an educational system where every student is challenged; and an inspired scientific and technological research community focused on ensuring not just our national security but our very quality of life."

President Clinton
Vice President Gore
February 22, 1993

Actions to Date

The Administration has:

- Created incentives for private sector investment in research and development and new businesses, with a targeted capital gains tax exclusion for small businesses and extension of the research and development tax credit.
- Maintained strong support for basic research through agencies such as the National Science Foundation.
- Expanded support for civilian technology programs such as Advanced Technology Program and Manufacturing Extension Partnership.
- Established partnerships with industry in areas such as environmental technologies for sustainable development, flat panel displays, and the Partnership for a New Generation Vehicle.
- Formed the National Science and Technology Council to improve effectiveness of federal R&D investments.

Background

Historically, the federal government has funded research and development in basic research, and R&D related to specific government missions, such as defense, space, and health. The rationale for doing this was clear. The federal government funds defense R&D to maintain American military superiority, and it funds research in health to combat disease and to improve our quality of life.

In the post-World War II era, U.S. companies benefitted from technology "spin-offs" from government-funded R&D in defense and other areas. American companies dominated advanced technology markets such as semiconductors, computers, machine tools, and aerospace. In the 1970's and 1980's, however, the United States began to lose its industrial and technological leadership. The old paradigm of relying on "spin-offs" from mission-related R&D began to break down. In many instances, the civilian sector was more technologically advanced than the defense sector. Although the United States often had a lead in basic research, other countries were more successful at moving new ideas from the laboratory to the market-place.

Although many leaders in business, labor and academia recognized that a new model of cooperation was needed, previous Administrations either failed to act or provided few resources for action. Government officials found it difficult to initiate new programs or re-direct old ones.

President Clinton recognizes that technology is the engine of economic growth. He promised to implement a technology policy that would create jobs, increase productivity, and allow U.S. firms to compete and win in today's global marketplace.

The Initiative

President Clinton has acted decisively to:

- Maintain U.S. leadership in basic science;
- Shift federal R&D investments towards the development and diffusion of civilian technology;

- Maximize the contribution that science and technology can make towards national goals such as economic growth, job creation, a cleaner environment, and a leaner, more efficient government;
- Make the United States the best environment in the world for investment, innovation, and job creation.

This strategy is essential to improving our quality of life, generating high-wage jobs, and enhancing our ability to compete and win in today's global market-place. The President has made significant progress in the first two years by:

Establishing incentives for private sector investment and innovation:

As part of his economic package, the President proposed a permanent extension of the Research and Experimentation (R&E) tax credit and a 50 percent reduction in capital gains taxation for investments in small businesses held for more than five years. Congress extended the R&E tax credit for three years (one year retroactively and two years prospectively), and supported the Administration's tax incentive for small businesses. The incentive for small businesses will encourage long-term investments in "start-up" companies, one of the engines of innovation and entrepreneurship in the U.S. economy.

Increasing the level and effectiveness of our investment in civilian and dual-use technology:

The President has pledged to increase the share of the federal R&D budget devoted to critical technologies, improve the management of our technology policy, and leverage existing investments in the National Labs. As a result:

- Funding for the Advanced Technology Program, which funds industry-led technology development, has increased from \$68 million in FY93 to \$431 million in FY95. This program has been hailed by industry as one of the most effective tools for industry-government partnerships. Industry takes the lead in deciding which new technologies should be explored. Industry is required to put up at least 50 percent of the funding, which leverages scarce federal funds and ensures that industry is committed to commercializing the new technologies.
- The President has created the National Science and Technology Council to help define and achieve science and technology goals.
- Government-industry partnerships have been launched in critical technologies such as flat-panel displays, the Partnership for a New Generation of American Vehicles,

partnerships with the construction industry, semiconductors, and environmental technologies necessary for sustainable economic development.

- The share of R&D that participating agencies devote to the Small Business Innovation Research program is being doubled from 1.25 to 2.5 percent of the R&D budgets of participating agencies.

Creating a national network of manufacturing extension centers:

The Commerce Department's Manufacturing Extension Partnership is a nationwide, grassroots network that is helping manufacturers to sharpen their competitiveness and improve prospects for their workers by learning about modern technology solutions. This initiative, which is managed by the National Institute of Standards and Technology (NIST), is designed to help the 370,000 manufacturers in the United States with fewer than 500 employees which generate more than 75 percent of new manufacturing jobs. Many of these companies need to upgrade their use of manufacturing technology and adopt world-class manufacturing practices. Some of the MEP services include access to technical experts, demonstrations of manufacturing equipment and software, performance benchmarking, and technical training.

These centers are having a significant impact on the bottom-line of the companies that they work with. Manufacturers that worked with NIST's first seven centers estimated a total of \$320 million in benefits during the first 4 years of the program, a return of \$7 for each federal dollar invested in the centers. The Administration is on track to help fund over 100 manufacturing extension centers by 1997.

Reforming antitrust law

President Clinton signed legislation in 1993 which extends the National Cooperative Research Act of 1984 to cover joint production ventures. This allows firms to share costs and pool risks, which is increasingly necessary given the escalating costs of state-of-the-art manufacturing facilities.

Case Study: The Manufacturing Extension Partnership

Prime Tube, a small automotive supplier in Livonia, Michigan, with 45 employees, was recently chosen as a "tier-one" supplier by Chrysler. Prime Tube has worked closely with NIST's Midwest Manufacturing Technology Center. The company participated in one of the center's "continuous improvement" user groups, which gave Prime Tube and 5 other automotive suppliers an opportunity to meet regularly to address specific operational issues, share ideas and experiences, and track each others' progress on specific continuous improvement projects. Prime Tube also tapped the center's expertise to undergo a comprehensive evaluation of its entire business and its current market. Working with the MTC, Prime Tube has acted on a number of recommended improvements, including implementing a preventive maintenance program and automated inspection system, reconfiguring the plant into work cells, and determining literacy and skill requirements for all manufacturing jobs.

These measures are paying off. Prime Tube President Frank Firek says that "Some of the programs resulting from that work with the MTC are a strong part of the reason we were chosen" as a tier-one supplier to Chrysler. Firek also says that "If we had not implemented the changes recommended by the MTC, we would have been forced to shut our doors."

10D. INTERSTATE BANKING

"American banks have shown over the last several years that they can combine high quality service for all with strong financial performance. Enactment of the interstate bill . . . will help them continue that record."

President Clinton
September 13, 1994
Statement on Senate Action
on Interstate Banking Legislation

Actions to Date

In September 1994, President Clinton signed into law the Riegle-Neal Interstate Banking and Branching Efficiency Act, a long over-due step to eliminate artificial geographic restrictions on bank operations and customer service. By allowing the banking industry to diversify geographically, the new legislation will:

- Benefit consumers by allowing banks to offer services at lower cost and greater convenience.
- Strengthen the banking system by making it easier for banks to geographically diversify their loans and deposits and thereby reduce their exposure to local economic downturns.
- Improve the supply of credit to businesses and consumers by letting banks more easily move funds to the localities that need it most.
- Reduce bank costs by allowing institutions to consolidate their operations and more easily comply with regulations.
- Make the banking industry more competitive by allowing banks to compete more efficiently nationwide.

Background

"By joining the House in passing the Interstate Banking Bill, the Senate has gone beyond gridlock to eliminate unnecessary barriers to the competitiveness and efficiency of our banking system..."

President Clinton

September 13, 1994

Statement on Senate Action on
Interstate Banking Legislation

The United States is the only industrialized country in the world that places geographic limits on its banks. Since the McFadden Act of 1927, federal law has effectively barred U.S. banks from branching across state lines. This restriction may have been appropriate when enacted, but America's financial system has changed a lot since the early part of this century. Today's financial system is national, indeed, international, in scope. Bank consumers work and travel across state lines. Businesses operate nationwide. But obsolete federal laws have kept the banking industry from evolving efficiently to meet the changes in America's economy and the demands of financial services consumers.

Geographic limits also weaken the banking system, heightening its vulnerability to regional economic downturns. In the 1980s, the collapse of New England's real estate market and the energy sector in Texas had disastrous effects on the financial institutions operating in those areas. Many reduced their lending -- particularly to small businesses.

From the first days of the Presidential campaign, President Clinton has stressed the need to work with banks to increase their efficiency and improve the supply of credit. Americans need loans to go to school, to build their homes, and to start their businesses. Few things can better expand opportunities for Americans than improving their access to credit.

The Administration has consistently acted to reduce government-imposed burdens on the banking industry wherever such action supports a strong banking system and benefits consumers of financial services, both businesses and individuals. Ending the restrictions on interstate banking satisfies both of these criteria.

For over 20 years, voices within and without the banking industry have called for an end to the geographic barriers. Each of the past four Administrations tried to eliminate the restrictions. But not until 1994, led by the Clinton Administration, with wide bipartisan support, did Congress enact the Interstate Banking and Branching Efficiency Act. The Act phases out all federally-imposed geographic restrictions on America's banks by 1997.

The Initiative

The Interstate Banking and Branching Efficiency Act will, by September 1995, allow bank holding companies to acquire subsidiary banks nationwide. The Act also eliminates, by June 1997, the federal laws that keep banks from establishing branches in more than one state. This new, deregulated environment will benefit consumers, banks, and the Nation's economy.

Consumers will benefit from more convenient banking services. The benefit will be most obvious for those who regularly cross state lines. For example, a customer of a bank in New Jersey located near his or her home may not be able to obtain convenient banking services at an affiliated bank in New York City, where he or she works. Allowing affiliated institutions to consolidate into a single bank will make it much easier for customers to conduct transactions at any branch throughout the entire service area of the bank, irrespective of state lines.

Consumers also will benefit from lower prices and the availability of a wider range of services. Smaller banks that consolidate with affiliated institutions can obtain access to technology and expertise they could not afford on their own. This will allow small institutions to offer new services and reduce the cost of providing existing services. By allowing banks to compete efficiently nationwide, the Interstate Banking and Branching Efficiency Act affirms a core tenet of our economic system -- that competitive markets benefit consumers.

American taxpayers will benefit from the increased stability that geographic diversification brings to the banking system. Interstate banking will allow banks to diversify their loan portfolios better, making them less vulnerable to local economic downturns. It will also allow banks more diversification in their deposit base, diminishing their reliance on higher-cost, less stable funding sources. And it will allow banks to move funds more easily to the localities that most need them -- making a future "credit crunch" less likely. Better geographic diversification of loans and deposits will strengthen the banking system, thereby reducing risk to the deposit insurance system and the taxpayers that stand behind that system.

Interstate banking will also enhance the banking industry's safety and soundness by reducing bank operating costs. By permitting affiliated banks to roll up their operations into branch banks spanning state lines, the Act paves the way for dramatic streamlining of industry operations. Specifically, the Act allows the industry to eliminate thousands of unnecessary bank charters, boards of directors, management structures, computer systems, and back-office operations. Moreover, these consolidated banks will have to deal with far

fewer regulators, file fewer regulatory reports, and process fewer requests for information from their remaining regulators.

While it eliminates obsolete federal restrictions on America's banks, the Act recognizes and preserves the essential rights of the states to regulate their banking systems. The Interstate Banking and Branching Efficiency Act gives states until May 31, 1997, to opt out of interstate branching. The Act preserves the rights of the states to regulate banks that operate within their borders, particularly with respect to laws regarding community reinvestment, consumer protection, and fair lending. Deposit concentration limits will ensure that no bank dominates a state or regional market.

Case Study: UMB Financial Corp.

Although full interstate branching will take effect in 1997, the Interstate Banking and Branching Efficiency Act allows banks located along state lines to relocate their main offices across state lines immediately, retaining their original offices as branches. This freedom is especially valuable in metropolitan areas that span state lines. Shortly after the Act became law, UMB First National Bank (UMB National) exercised this freedom to benefit itself and its customers.

Located in Collinsville, Illinois, UMB National sat just across the river from its sister bank in St. Louis, United Missouri Bank of St. Louis, N.A. (UMB St. Louis). But even though the two banks were commonly owned, customers of one bank could not conduct business at the other -- a significant inconvenience to thousands of UMB customers who commute to work every day across state lines. For the banks themselves, the federal prohibition on branching was inefficient and wasteful: even though they served the same metropolitan area, under common ownership, they had to retain duplicate management teams, duplicate boards of directors, duplicate computer systems, submit duplicate regulatory reports, and host duplicate annual examinations by bank regulators.

UMB National used the new law to move its main office to St. Louis, keeping its Illinois offices as branches. Once in Missouri, UMB National merged its operations with UMB St. Louis. The results: a single bank with an interstate branch system, more efficient bank operations, less risk to the banking system, and better service to bank customers. When fully phased in, the Interstate Banking and Branching Efficiency Act will allow other institutions to duplicate this success throughout the country.

10E. TRUCKING DEREGULATION IN 1994

Actions to Date

With President Clinton's strong support, Congress enacted legislation in 1994 to deregulate intrastate trucking, thereby ending a patchwork of confusing and burdensome state regulations that imposed high costs on consumers of American goods. The legislation eases entry restrictions and removes state controls on rates and routes, producing substantial benefits to the nation, such as:

- Savings to the economy of \$3 to \$8 billion annually through lower prices and more reliable service;
- Improvements to the environment and reduced congestion through elimination of circuitous routing;
- Enhanced manufacturing competitiveness through service improvements, such as just-in-time delivery.

With President Clinton's support, Congress also passed legislation that will greatly reduce the paperwork burden and expenses of trucking firms as they enter the industry and make their prices known to their customers.

Finally, President Clinton's FY96 budget proposes that Congress eliminate the Interstate Commerce Commission, an obsolete agency established in 1887 to leash the monopoly power of the "robber baron" railroads.

Background

Under the leadership of President Carter, Congress enacted legislation in 1977 and 1980 that eliminated most Federal controls over the air cargo and trucking industries, providing opportunities for thousands of new firms with no loss of service to remote communities and no degradation in safety. Today, there are well over half a million new jobs in trucking alone, and many new trucking companies are run by women and minorities who were "frozen out" under the regulated regime.

The Brookings Institution estimates that consumers are saving about \$20 billion each year in lower prices. Other experts say the savings are many times that, because freight delivery service is so reliable that stores and their suppliers can use "just-in-time" manufacturing and inventory systems that reduce the volume of parts and finished products they have to keep on hand.

While the 1980 law eliminated most Federal controls, the reforms only applied to trucking companies when they carried goods from one state to another, and not between points within the same state. Some 41 states continued to impose business regulations on truckers, blocking competition and hampering innovation.

The Initiative

Building on the gains brought about under Carter, in 1994, the Clinton Administration strongly supported two pieces of legislation that have dramatically liberalized business practices in the trucking industry.

One bill, which went into effect January 1, 1995, removes all State economic controls on the trucking industry, such as entry restrictions and limits on rates, routes and services. Economists estimate that this deregulation will save consumers \$3 billion to \$8 billion a year through lower prices and more reliable service. It will also create tens of thousands of jobs, enhance manufacturing competitiveness by facilitating just-in-time delivery, and strike a blow for the environment through improved transportation efficiency. It is reinventing government at its best.

The other bill substantially reduces the trucking regulatory functions of the Interstate Commerce Commission. Now, people who want to begin trucking companies will only have to show that they are safe and carry insurance, rather than go through a convoluted applications process at the ICC. Once they are in business, they will not have to inform the ICC about their prices, so long as they set the prices independently, without collusion. These changes will save millions of dollars in costs by eliminating needless red tape.

Further, now that many of the ICC's functions have been eliminated, the President has proposed in the fiscal year 1996 Budget that the ICC be eliminated. Any necessary ICC functions would be transferred to other federal agencies. The net savings to the Federal taxpayer would be \$100 million by the year 2000.

Case Study: False Teeth in Detroit

In some states, before enactment of the legislation supported by the Clinton Administration, entering the trucking industry -- or even expanding an existing trucking operation -- was an adversarial procedure of great length and expense. In Michigan, for example, when a small dental delivery service transporting dentures within a 25-mile radius of Detroit wanted to expand its service another 25 miles, it was met with a barrage of protests from companies already providing the service in that area. After a year of hearings at the public service commission, the courier service eventually won the authority, but not before ten dental lab presidents were asked to testify, and 600 pages of documents were added to the public docket. Now, that same dental delivery service only has to comply with state safety and insurance requirements, with no need to jump through bureaucratic hoops.

Case Study: Appliances in Texas

The Stewart Company, a Dallas, Texas, consumer electronics and appliance distributor, chose to operate its own fleet of delivery trucks, rather than hire a trucking company to haul its goods. This action saved consumers \$90 per refrigerator because it exempted the transport from State regulation that artificially elevated rates.

Three major appliance manufacturers -- Whirlpool, GE and Kitchenaid -- all moved their warehouse operations from Texas to Arkansas. They did this so that transport of their goods would be classified as interstate commerce, exempt from Texas state regulations that restricted routes and raised prices.

Now, these appliance manufacturers do not have to go out of their way simply to avoid inefficient state regulations. The Stewart company can focus on its main line of business -- manufacturing electronics and appliances, without having to operate a delivery service on the side if it chooses. Whirlpool, GE and Kitchenaid can locate warehouses where it makes the most sense from a business perspective, unimpeded by the interference of obsolete and burdensome government restrictions.

10F. SMALL BUSINESS

"Small business owners, managers and employees have been the driving force behind an economic comeback in America. [Small business] is where America turns for our best new ideas -- from technological breakthroughs to redefining the way we work."

President Clinton
Video Address to White House
Conference on Small Business

Actions to Date

Over the last two years, the Clinton Administration has focused on four priorities for small businesses:

Access to Capital:

- In 1993, the Administration revised bank regulatory policies to encourage commercial lending, particularly to smaller firms: from 1993 to 1994, commercial and industrial lending increased by an estimated 8 percent.
- The Administration expanded the Small Business Administration's primary loan guarantee program by more than 40 percent: in 1994, SBA guaranteed about \$8 billion in loans.
- In the longer term, the Administration's program to establish new community development financial institutions will stimulate new lending to small businesses and bring new investors into small-business lending markets.

Incentives for Investment:

- The President's economic plan increased by 75 percent the amount a small business can deduct as expenses for equipment purchases, and created new tax incentives to encourage investments in small businesses.
- Under the revised Small Business Investment Company program, dozens of new venture capital firms will provide billion of dollars in equity financing for start-ups and growing firms.

Rationalizing Regulations:

- The President convened a Regulatory Reform Forum, bringing together regulated businesses and regulatory agencies to develop comprehensive proposals for reducing regulatory burdens on small businesses.
- The Administration has pushed for judicial review under the Regulatory Flexibility Act, a measure that will ensure that the interests of small firms are taken into account as agencies develop new regulations.

Access to New Markets:

- Under the President's leadership, federal, state, and local agencies have established one-stop export assistance shops to provide technical and financial assistance to firms interested in reaching new markets.
- The Administration pushed for and obtained an overhaul of the government procurement system -- including dramatic changes that will enhance the ability of smaller firms to compete for government contracts.

Background

President Clinton often calls small business "the heart of America." Since the founding of the Republic, small businesses have played an important role in both the building of our economy and the development of our communities. These firms play a particularly critical role in the new American economy. Smaller firms are more flexible and responsive -- essential features in today's dynamic economy -- and are a rich source of invention and innovation.

Recognizing the importance of small business and the need to ensure that those businesses have a voice in today's policy debates, President Clinton was the first President to accord the Cabinet-level status to the Administrator of the Small Business Administration. He also provided that the Administrator would be a member of the National Economic Council. Finally, the President has actively supported the White House Conference on Small Business -- a series of more than sixty conferences held across the nation and culminating in a four-day meeting in Washington, D.C., in June, 1995.

The Initiative

One of the President's most significant accomplishments for small business was institutional. Under the leadership of Administrator Erskine Bowles, the SBA was successfully reinvented, changing from a beleaguered bureaucracy into a modern example of government that works better and costs less. Reforms were implemented reducing paperwork and turnaround times, while increasing responsiveness and innovation. Administrator Philip Lader continues the reinvention effort by creating opportunities for a more efficient agency which serves more small businesses at a lower cost to the taxpayers.

Substantively, the Administration has focused on four policy priorities.

Improving access to capital. Because the term "small business" encompasses everything from the corner store to the next Microsoft or Federal Express, improving access to capital requires a range of efforts addressing debt and equity financing, as well as long-term and short-term needs.

One of the President's first actions was to change regulatory practices in order to encourage banks to revise their lending practices and make more money available for small businesses. Recognizing that some firms still had difficulty obtaining loans, the President also dramatically expanded SBA's loan guarantee programs while cutting the paperwork required for most SBA loan guarantees from a stack the size of a small telephone book to a single, two-sided sheet of paper.

The Administration made a special effort to reach out to women- and minority-owned firms -- the most rapidly growing group of small businesses. As a result, SBA-guaranteed lending to those firms rose more than 50 percent between 1992 and 1994.

For firms in need of equity financing, the Administration and Congress created new tax incentives to encourage investment in small businesses and in investment companies that serve minority-owned small businesses. Moreover, under the revised SBIC program, new venture capital firms will provide start-ups and growing firms with several billion dollars in patient capital.

Increasing incentives for investment. The Administration encouraged businesses to invest in new equipment, increasing by 75 percent the amount a small business can deduct for equipment purchases. In addition, the Administration's Empowerment Zone/Enterprise Community program offers significant tax incentives for businesses within selected regions, and SBA will establish One Stop Capital Shops to promote and sustain economic development.

Improve the regulatory environment for small business. Beginning with the National Performance Review, the Administration has taken measures to rationalize regulations and improve the regulatory process. For example, the Administration supported a small-business exemption to the Nutrition Labeling Act, pressed for expedited resolution of Superfund claims against smaller firms, and convened the first ever Forum on Regulatory Reform for Small Business. The Administration has also actively supported judicial review under the Regulatory Flexibility Act, a measure that will ensure that the interests of small firms are adequately considered every time an agency promulgates a new regulation.

Access to the world's fastest-growing markets. The President has taken the lead in creating the architecture of the global economy -- pressing for and securing the NAFTA and Uruguay Round agreements, and the APEC commitments. At the same time, the Administration has implemented dramatic changes, such as an overhaul of export controls and a reinvention of export assistance, that allow even the smallest of firms to reach out to global markets. At home, the President and Vice President have championed reform of the federal procurement system, enabling small business around the country to compete for thousands of government contracts.

All of these changes reflect the President's deep and ongoing commitment to small business. These firms play a critical role in today's economy. Globalization changes production values, making mass production less important, while shorter product cycles, flexibility and innovation become more important. All of these changes favor smaller firms. Likewise, the shift toward an information-based economy also favors smaller firms. Just as small "cottage industries" led the transition to a manufacturing economy, so small

firms will lead the transition to the information economy. All of these trends mean that -- now more than ever -- small businesses *are* the heart of America.

Case Study: Low Documentation Loan Program

The SBA's new Low Documentation (LowDoc) Loan Program makes applying for an SBA loan guarantee more user friendly than it's ever been. Using a one-page application, a small business will get usually get a response from SBA loan officers in less than a week. LowDoc applies to loans of under \$100,000 made by banks and guaranteed up to 90 percent by the SBA.

This new program was put to good use by Charles and Margaret Hardin, native North Carolinians who have wanted to open their own restaurant for years. "When my banker told me he was going to pursue an SBA guarantee for my loan," said Hardin, "I thought 'Oh, no, government red tape!' But it wasn't like that at all." Hardin said, "the one page loan application was faxed in and we had approval within four days." The Hardins used their LowDoc Loan of \$40,000 to start the Parkway Cafe.

"Mr. Hardin had the acumen and ability to run his own restaurant," said Mark Trivette, Vice President of Centura Bank in nearby Boone. "However, without the SBA guarantee, we would not have been able to offer a longer term and lower payments on their loan."

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11. PROTECTING OUR NATION'S SECURITY

Introduction

The President has no more important responsibility than to safeguard the security of all Americans from foreign threats -- today, and for generations to come. This challenge was self-evident during the Cold War, when we faced massive Soviet forces and nuclear missiles targeted at our citizens and cities. With the disintegration of the Soviet Union, some argue the time has come to claim victory and quietly withdraw from our engagement around the world. We must resist this temptation. The end of the Cold War has not lessened our nation's security needs -- protecting the lives and personal safety of Americans, maintaining our freedom and independence, and providing for the well-being of all our citizens. Rather, it has changed the ways we must go about meeting them.

The situation created by the collapse of the Soviet empire has created new challenges. Direct threats to our security are posed by states such as Iraq and Iran, by the proliferation of weapons of mass destruction, such as nuclear or chemical weapons, and by terrorists who strike at the heart of New York. Local conflicts that risk spilling over across borders represent another kind of threat, as do international narcotics trafficking, large scale environmental degradation, rapid population growth, and massive refugee flows onto our shores.

At the same time, the post-Cold War world offers tremendous new opportunities to enhance the security of all Americans. America stands as the preeminent world power. Our values of democracy and free markets captured the imagination and inspired historic actions of people around the globe. Hundreds of millions of people have cast aside communism, dictatorships, or apartheid. And former adversaries are now cooperating with us on global problems. We have seized these opportunities by forging new international partnerships, dramatically reducing the threat of nuclear war, and enlarging the community of nations with which America trades, and in which America invests.

We face a choice. We can retreat, leaving our nation unprepared to face the new challenges and to seize the new opportunities. Or we can remain engaged and help shape a world more conducive to our interests, more consistent with our values, and more secure for our children.

The decision we make will have concrete and far-reaching consequences. It will determine whether future generations will live in a world where nuclear, biological, and

chemical weapons have fallen into dangerous hands; whether our country will continue to have unimpeded access to oil; whether American citizens will be targets of terrorist groups; and whether our children will enjoy uncontaminated air, fisheries, water, and arable land.

For President Clinton, the choice is clear. From the day he took office, he has exerted America's leadership abroad to make the world safer and Americans more prosperous. These goals lie at the heart of his national security strategy. To promote them, and in addition to our efforts to open markets and revitalize our economy, he has taken bold actions on seven critical fronts.

- **Keeping our military strong and ready to fight**, so that we are able to defend American interests whenever necessary.
- **Reducing the threat of nuclear weapons and other weapons of mass destruction** to increase our safety and the safety of American men, women, and children.
- **Advancing regional security** to enhance stability in areas vital to our safety.
- **Acting as an effective peacemaker and mediator** in order to defuse conflicts before they become significant crises.
- **Promoting democracy** to check global threats before they threaten our territory and interests and to enhance economic opportunities.
- **Confronting transnational threats** to preserve America's way of life and protect its future.
- **Promoting defense reinvestment** to encourage the development of an integrated defense and civilian industrial base.

President Clinton and his Administration already have made substantial progress in all seven areas. These accomplishments are improving the lives of every American.

11A. KEEPING OUR MILITARY STRONG AND READY TO FIGHT

"Our forces are the finest military our nation has ever had. And I have pledged that as long as I am President, they will remain the best equipped, the best trained, and the best prepared fighting force on the face of the Earth."

President Clinton
State of the Union
January 25, 1994

Actions to Date

From the day he took office, President Clinton has fought hard to keep the military strong and to use it effectively when necessary. The Administration has:

- Obtained congressional passage of defense budgets that reflect the President's strong commitment to military readiness.
- Increased its initial funding plan for defense three times, and requested and received defense supplementals three times as world events have unfolded -- ensuring that our armed forces have the funds they need to carry out their missions.
- Recently proposed a \$25 billion increase in our military spending plans over the next 6 years.
- Implemented a strategy and maintained sufficient forces for our military to fight two major regional conflicts nearly simultaneously.
- Improved the quality of life -- including pay raises and child support care -- for our men and women in uniform and their families.
- Used force decisively and effectively when necessary -- as in Iraq and Haiti.

Background

A strong defense is the best safeguard of our country's security. We jeopardize all of our other efforts to enhance our nation's well-being if we do not have the military capability to defend our vital interests. Our military must deter our adversaries and reassure our friends and allies that America is prepared to put force behind the defense of our interests. And, when we commit them to combat, our military forces must prevail decisively. That is why we devote more than 90% of all our expenditures for defense and foreign policy to our armed forces.

In today's world of diverse dangers, our armed forces also must be prepared and trained to confront new threats -- newly aggressive regional powers, the spread of weapons of mass destruction, terrorism and urgent humanitarian needs. President Clinton's actions guarantee our readiness to meet the challenges of the post-Cold War era. Our successful military operations of the past two years have demonstrated the President's commitment to our national security and the unsurpassed abilities of our armed forces.

The Initiative

- **Defense Budgets to Maintain and Strengthen Military Readiness**

"...I am determined to take the steps necessary to keep our Nation secure. We will keep our forces ready to fight. We will work to head off emerging threats, and we will take action when action is required."

President Clinton
Address to the Nation
June 26, 1993

The President's actions to strengthen our national defense build on clear principles: we must invest all necessary resources to defend our security; we must adapt our armed forces to the challenges of the post-Cold War era; and we must be prepared to use force decisively where our vital interests are at stake. The President's persistent efforts to put resources into training and readiness, and his willingness to back diplomacy with force meet these objectives. The exceptional performance of our armed forces from Haiti to the Persian Gulf have demonstrated that our military remains the best trained, the best prepared, and the best equipped fighting force in the world.

Keeping our forces ready to fight wherever and whenever necessary is the President's first defense priority. In 1993, the Administration increased its original defense

budget by \$13 billion to cover funding shortfalls inherited from the prior Administration. In 1994, the President added \$11.4 billion to the defense spending plan. And last December, the President proposed a "Defense Funding Initiative" that will provide for an additional increase of more than \$25 billion for the defense program over the next six years. These funds will ensure that we maintain the readiness of our armed forces at the highest level, and provide the resources needed to equip our forces with the next generation of defense hardware.

- **Quality of life improvements**

Because the Clinton Administration recognizes that our men and women in uniform are the backbone of our defense, the Defense Funding Initiative also includes funds to improve the quality of life for our troops and their families. It will support pay raises to the maximum extent possible under the law, provide military personnel with compensation levels that are competitive with the private sector, and increase military community and family support, including more child care and family counselors. Providing resources to bolster our armed forces is a price the President is committed to pay to protect the physical and economic safety of all Americans, today and for generations to come.

- **The "Bottom Up Review"**

"I directed that our Armed Forces be ready to face two major regional conflicts occurring almost simultaneously. Since then, I have repeatedly resisted calls to cut our forces further, to cut our budget below the levels recommended in that bottom-up review, and I have drawn the line against further defense cuts."

President Clinton
Statement on Defense Readiness
December 1, 1994

An effective defense also means one that is suited to today's strategic environment. To adapt our military to the challenges of the post-Cold War era, and at the President's direction, the Department of Defense carried out the Bottom-Up and Nuclear Posture Reviews. The Bottom-Up Review examined the structures and strategies of our conventional forces and recommended a plan to deter and, if necessary, fight and defeat aggression by potentially hostile regional powers. It underscored the need for forces that can be deployed quickly and that can support U.S. forward-deployed forces to halt an invasion and defeat an aggressor. Today, in concert with our allies, our forces are prepared to fight -- and win -- two conflicts, each the size of the Gulf War, that might happen almost simultaneously.

To adapt our military to current conditions also means closing unneeded military bases. To assist the economic redevelopment of communities affected by these closures, the Administration is implementing a \$20 billion defense reinvestment and conversion plan to help hard hit workers, communities, and businesses. The President also directed the Administration to speed the transfer of base property for economic development, provide transition assistance, and invest necessary resources for the environmental clean-up of defense sites.

- **Using force when necessary**

"During these past two years, our military has time and again demonstrated its readiness and its war-fighting and peacekeeping capabilities. From Korea to Macedonia, to Rwanda and Haiti, we have placed great burdens on our men and women in uniform, and they have responded magnificently. They have demonstrated a truly outstanding ability to deploy quickly, provide security, and to help ensure stability."

President Clinton
Statement on Defense Readiness
December 1, 1994

In the end, our national security is only as strong as our ability to back persistent diplomacy with the credible threat of force, and to act decisively when necessary to defend our interests. The President's willingness to use force and the performance of our military in the past two years - in Iraq, in Haiti, or in Rwanda - have made our country safer and stronger.

- In the Persian Gulf, swift and decisive military action kept Iraq from repeating its aggression against Kuwait and forced Iraq to withdraw its threatening troop deployment from the Kuwaiti border.
- In Haiti, the ruling generals agreed to give up power peacefully only once they knew the President had ordered U.S. armed forces into action. Since then, our military's performance and each phase of Operation Uphold Democracy -- from planning to intervention to our work today -- has achieved its major objectives. A carefully planned, well-executed strategy led by the American military has succeeded in creating a secure and safe environment for the people of Haiti.
- In Rwanda, the U.S. provided its unique logistical capabilities at a time when the crisis overwhelmed the United Nations and non-governmental organizations and when our help was essential. Operation Support Hope helped save the lives of tens of thousands of people. Our mission has been accomplished, and our forces have now turned over responsibility for humanitarian aid to non-governmental relief agencies.

11B. REDUCING THE THREAT OF NUCLEAR WEAPONS AND OTHER WEAPONS OF MASS DESTRUCTION

"More than a score of nations likely possess [weapons of mass destruction], and their number[s] threaten to grow. These weapons destabilize entire regions. They could turn a local conflict into a global human and environmental catastrophe. We simply have got to find ways to control these weapons and to reduce the number of states that possess them ..."

President Clinton
Address to the United Nations General Assembly
September 27, 1993

Actions to Date

Reducing the threat posed by weapons of mass destruction is critical to our security. The Administration has made significant strides by shrinking existing arsenals of nuclear weapons. It has also achieved considerable gains in preventing more countries from building nuclear weapons and in curbing the development of chemical and biological weapons. Over the past two years, the Clinton Administration has:

- Brought the START I treaty into force, which will eliminate bombers and missile launchers carrying over 9,000 Soviet and U.S. strategic nuclear weapons -- a reduction of 40% -- and opens the door to ratification of START II, which will make even deeper cuts.
- Concluded an agreement that unblocked the process of eliminating nuclear weapons from Ukraine and provided funds to facilitate the elimination of nuclear weapons in Ukraine, Belarus and Kazakhstan.
- Worked to strengthen the protection, control, and accounting of nuclear materials in the former Soviet Union.
- Reached an agreement with Russia to stop targeting missiles at each others' citizens and cities.
- Secured an agreement with North Korea that will eliminate that country's threatening nuclear program.
- Secured commitments from Russia, Ukraine, China, and South Africa to control the transfer of missiles and related technology.
- Submitted for Senate ratification, the Chemical Weapons Convention, which will ban these weapons, and promoted new measures to strengthen the Biological and Toxin Weapons Convention.

Background

By the end of the Cold War, the United States and the Soviet Union had amassed huge arsenals of nuclear weapons. The end of the East-West conflict brought a chance to make deep cuts in these forces. But the collapse of the Soviet Union created an obstacle to

rapid progress in nuclear arms control; a significant part of the Soviet Union's strategic forces was stationed in republics that acquired independence after the collapse of communist power. That raised the question of whether several states with nuclear weapons would succeed the one that had existed before. That also left in doubt whether serious arms reductions would be possible in such a changed world -- or whether more nuclear rivalries would arise.

The post-Cold War period has also made preventing the spread of nuclear weapons even more difficult. Due to advances in technology and the demise of the Soviet Union, nations and even terrorist groups now have better opportunities for getting hold of the materials needed to build a nuclear weapon. Material from dismantled weapons is in danger of being diverted, and the fear has grown that impoverished scientists might sell their expertise to the highest bidder.

The possibility for proliferation of nuclear as well as biological and chemical weapons now poses a major threat to our national security. These weapons can destabilize entire regions. They could turn a local conflict into a global human and environmental catastrophe.

To enhance America's safety, we must reduce the number of nuclear weapons that already exist and prevent other countries or terrorists from acquiring them. We must also prevent the spread of other weapons of mass destruction, such as chemical, and biological weapons.

The Initiative

- **Reducing the number of nuclear weapons**

"Because of the agreements we reached with Russia, with Belarus, with Kazakhstan, with Ukraine ... Americans can go to bed at night knowing that nuclear weapons from the former Soviet Union are no longer pointed at our children."

President Clinton

January 12, 1995

White House Conference on Trade and
Investment in Central and Eastern Europe

When President Clinton took office, he vowed to do everything in his power to reduce the danger posed by nuclear weapons. While there is still much to do, the American people worry less about nuclear war than at any time since the dawn of the nuclear age.

Because of determined efforts by the President, last year the leaders of Russia, Ukraine, Belarus and Kazakhstan all joined with the President to bring into force the START I agreement, which had been negotiated by Presidents Reagan and Bush. The treaty will make deep cuts in the global arsenal, eliminating the missiles and planes in U.S. and former Soviet forces that carry 9,000 warheads. Already, both sides are dismantling weapons well ahead of schedule. Entering the treaty into force paves the way for prompt ratification of the START II treaty, which would further reduce our nations' nuclear stockpiles to one-third their Cold War strength. What's more, Ukraine, Belarus and Kazakhstan have all forsworn nuclear weapons entirely and signed the Non-Proliferation Treaty.

Only a year ago, nearly 8,000 nuclear warheads from the former Soviet Union were aimed at the United States. Today, because of an agreement between President Clinton and President Yeltsin of Russia, our nations no longer target each other's cities or citizens. Even in the very unlikely event a Russian missile were accidentally launched, it would not hit our country.

Our arms control progress has served our security interests in allowing us to reduce our strategic programs. That has enabled us to shift resources to efforts such as putting our economic house in order by reducing the budget deficit and boosting the readiness of our conventional forces.

- **Controlling the spread of nuclear weapons**

President Clinton has also made containing the spread of nuclear weapons a top priority and has proposed a comprehensive approach to controlling fissile materials. Since the greatest danger comes from theft of bomb materials in the stockpiles of the former Soviet Union, the U.S. is helping Russia and other newly independent states transport, safeguard, and destroy nuclear weapons. Those efforts have been possible because of farsighted legislation by Senators Nunn and Lugar to dismantle the nuclear arsenals of the former Soviet Union and to help employ nuclear scientists in nonmilitary projects.

At the same time, we are reducing the total amount of material needing protection. Under an agreement reached by the Administration with Russia last year, 500 tons of highly enriched uranium will be converted to low enriched uranium for reactor fuel that cannot be used for nuclear weapons. In a major operation called "Sapphire," the U.S. also arranged for the airlift of more than half a ton of highly enriched uranium -- enough to make dozens of nuclear weapons -- from Kazakhstan to safe storage in the United States. These were smart investments in our future, for tightened control over nuclear materials and weapons greatly enhances the security of America's citizens.

- **Eliminating the North Korean nuclear program**

"Our patient but hardheaded diplomacy has secured an agreement with North Korea on nuclear issues that is clearly and profoundly in our interest ... The deal stops North Korea's nuclear program in its tracks. It will roll it back in years to come."

President Clinton

January 12, 1995

White House Conference on Trade and
Investment in Central and Eastern Europe

For at least the past ten years, the world has known that North Korea had an active nuclear program. Because of the risks of a nuclear-armed North Korea, rising tensions on the Korean peninsula and even war, the Clinton Administration entered talks with Pyongyang.

Thanks to the President's tough diplomacy, the Framework Agreement that we reached means that North Korea has halted and will eventually eliminate its plutonium production program. Our agreement with Pyongyang is not built on trust. Instead, it sets up a system of international monitoring -- and the inspectors have already confirmed that North Korea's program is frozen. Plutonium that could have been processed into weapons material will be put under the supervision of the International Atomic Energy Agency. Construction on reactors that would have produced more such material has ended. If at any time North Korea fails to meet its obligations, we will withdraw the benefits of the agreement. Similarly, the Clinton Administration is maintaining the international coalitions necessary to isolate and prevent both Iraq and Iran from advancing their nuclear weapons programs.

- **Chemical and biological weapons**

The Gulf War demonstrated the range of new dangers that confront us in the Post Cold War era -- among them chemical and biological weapons and long-range missiles that can attack our forces and our allies. To confront these challenges, the Clinton Administration is:

- Urging the Senate to ratify the Chemical Weapons Convention, which will advance us toward the goal of eliminating chemical weapons under rigorous inspection.
- Working to negotiate legally binding measures to strengthen compliance with the Biological and Toxin Weapons Convention, which outlaws these weapons.

- Strengthening the Missile Technology Control Regime. Already, we have commitments from four key potential missile suppliers -- Russia, Ukraine, China and South Africa -- to control the transfer of ballistic missiles and related technology.

In the months and years ahead, President Clinton will build on the immense progress that has been made thus far. He has set an ambitious -- and necessary -- agenda for the future.

First, the U.S. will try to raise the barrier against developing new generations of nuclear weapons by negotiating a Comprehensive Test Ban Treaty, which would end the practice of detonating nuclear devices for weapons purposes. To help secure that treaty, the President has extended the U.S. moratorium on nuclear testing. Second, we will continue to work to prevent more nations from building their own nuclear weapons by leading the charge for indefinite and unconditional extension of the Non-Proliferation Treaty, which is the cornerstone of our efforts to prevent nuclear weapons proliferation. Third, we will work to cut even deeper into the global arsenal by pushing to ratify START II. Fourth, we will press ahead with a number of other efforts to stop the spread of all weapons of mass destruction, including an international agreement to ban the production of fissile material for nuclear weapons use.

In a world with too many weapons of mass destruction, President Clinton is seizing the opportunity to do something about them. His initiatives offer the most wide-ranging and concrete efforts to reduce the danger from these weapons and give the American people the security they want.

11C. ADVANCING REGIONAL SECURITY

"...We must remain engaged in world affairs. That's the only way we can...protect our nation and keep small problems today from growing into dangerous crises tomorrow."

President Clinton
Radio Address from the Kremlin
January 15, 1994

Actions to Date

In the post-Cold War world, as old rivalries between nations have reemerged, making the United States more secure and prosperous depends on our ability to preserve stability in regions vital to our interests. To advance regional security the Clinton Administration has:

- Initiated the process of bringing Europe's new democracies into NATO and created the Partnership for Peace to promote military and political cooperation among European nations.
- Undertook actions with NATO allies and the United Nations to contain the conflict in Bosnia, alleviate civilian suffering, tighten sanctions against Serbia and the Bosnian Serbs, and enforce a no-fly zone.
- Successfully halted an Iraqi military threat to Kuwait and the Persian Gulf.
- Enhanced stability in our hemisphere by removing Haiti's military rulers and restoring that nation's democratic government.

Background

History teaches that the United States must stand ready to step in and protect friends and allies in order to defend our own national interests. Our interests are jeopardized by regional instability, and by the actions of aggressor states. Preserving regional stability serves our long-term security goals by preventing the spread of conflict. It also safeguards economic stability and helps generate more jobs for Americans at home and investment opportunities abroad. Success on these fronts largely depends on America's ability to

forge durable security relations with other nations.

The Initiative

- **Europe**

"[O]ver time,...European and transatlantic institutions, working in close cooperation with the United Nations, can support and extend the democracy, stability, and prosperity that Western Europe and North America have enjoyed for 50 years. That is the future we are working to build."

President Clinton
December 5, 1994
Conference on Security and
Cooperation in Europe

European stability is vital to our own safety, a lesson we have learned twice this century at great cost. With the collapse of the Soviet empire and the emergence of new democracies in its wake, the United States has an unparalleled opportunity to help create a stable, free, and unified Europe. President Clinton is determined to seize this chance.

In the last year, the Clinton Administration has made good progress in building and adapting institutions of European security. First, President Clinton took steps to strengthen NATO, the historic guarantor of peace and stability in Europe. During his trip to Europe in July, the President reaffirmed his commitment to NATO's future expansion. NATO expansion will promote our interests by reducing the chance of conflict in Central and Eastern Europe -- the starting point of two world wars and the Cold War. The prospect of NATO membership will build confidence in the new democracies and provide them with a powerful incentive to consolidate their political and economic reforms. NATO allies will agree in 1995 on the process and objectives of NATO's expansion.

Second, the President has continued to build and strengthen links between NATO and other European nations. At the President's initiative, the January 1994 NATO Summit approved the Partnership for Peace -- the first security arrangement that can encompass all the countries of Europe. To date, 23 countries, including Russia, have joined the Partnership, paving the way for a growing program of military cooperation and political consultation, all of which increases our own security.

Third, the United States has repeatedly taken the initiative to prevent conflicts and

smooth the way for a new and peaceful era in Europe. For example, we worked closely with Russia, Latvia, and Estonia to facilitate agreements on the complete withdrawal of Russian troops from the Baltics. This, coupled with the final withdrawal of Russian forces from Germany, means that for the first time since the end of World War II, no Russian troops remain in Central and Eastern Europe.

In addition, the United States has led efforts by NATO and the United Nations to prevent the conflict in the former Yugoslavia from spreading into a broader European war. We have taken action to alleviate human suffering and encourage the parties to negotiate. While we have not succeeded in achieving a political settlement, the Clinton Administration has led the fight to tighten international economic sanctions against Serbia and the Bosnian Serbs, and has established the United Nations War Crimes Tribunal, which is beginning to prosecute its first cases. American leadership also paved the way for NATO's decision to enforce a no-fly zone and for its ultimatum ending Serb shelling of Sarajevo. And the troops we sent to Macedonia have helped prevent the Bosnian conflict from spreading.

The Administration will continue to play an active role in seeking to build a truly integrated Europe, one in which the new democracies of Central Europe and the former Soviet Union enjoy the security, prosperity, and individual liberty that Western European countries have enjoyed since the end of World War II. At the same time, the Administration will continue to play an active role in supporting democratization and economic reform throughout the former communist world, in close partnership with the European Union. An expanded community of economically-dynamic democracies will mean greater security for the United States and growing trade and investment opportunities -- to the benefit of all Americans

- **Middle East**

"From the first days of our Revolution, America's security has depended on the clarity of this message: Don't tread on us....There should be no mistake about the message we intend these actions to convey to Saddam Hussein, to the rest of the Iraqi leadership, and to any nation, group or person who would harm our leaders or our citizens. We will combat terrorism. We will deter aggression. We will protect our people."

President Clinton

June 26, 1993

Address to the Nation on the strike
on Iraq Intelligence Headquarters

In the Middle East, President Clinton demonstrated his commitment to America's leadership role. The immediate dispatch of troops to Kuwait stopped renewed Iraqi

aggression dead in its tracks, safeguarding vital U.S. interests in the region. Operation Vigilant Warrior illustrated once again the need and our ability to respond quickly to threats to our allies. The Administration will continue to enforce the no-fly zones and help protect the Kurdish minority.

The President is committed to preventing the emergence of another threat to our regional interests. To that end, he has implemented a strategy aimed at containing both Iraq and Iran, and will maintain America's long-standing presence in and near the Persian Gulf.

- **The Western Hemisphere**

Thanks in part to America's efforts, the Western Hemisphere is close to becoming the first entirely democratic hemisphere in the world -- Castro's Cuba is the sole exception. President Clinton's decisive action to restore democracy to Haiti and his hosting of the historic Summit of the Americas illustrate his determination to see the hemisphere become a region of stability, democracy, and growing economic opportunity.

Acting on his conviction that the situation in Haiti posed dangers to the United States and the hemisphere, President Clinton pursued this goal in the face of strong political opposition. Haiti's military rulers, who had long defied the will of the Haitian people and of the international community, backed down when they learned that the 82nd Airborne was enroute. By backing diplomacy with force, we achieved peacefully what we were prepared to do with force. Since then, our forces have successfully led an international coalition to restore democracy in that country.

At the Summit of the Americas, President Clinton and the other 33 democratically elected leaders of the hemisphere began to map out a course to open new markets and create a free trade area throughout the Americas; to strengthen democracy in the region; and to improve the quality of life for its inhabitants. This new hemispheric dialogue and action plan -- which the President calls a "Partnership for Prosperity" -- will produce jobs, opportunity, and prosperity for our children and future generations.

We will also continue to cooperate with the countries of Latin America to enhance regional security and combat narcotics trafficking and terrorism. We will also be working with friends to help resolve the underlying causes of the recent border conflict between Peru and Ecuador. The United States, Argentina, Brazil, and Chile acted together in timely fashion to help contain the hostilities when they broke out early this year and we will work equally energetically to prevent their recurrence.

- **Asia and the Pacific**

The United States also has vital security interests in Asia and the Pacific, a region in which we fought three wars in this century. Increasingly, America's security and prosperity are tied to this region. President Clinton has maintained America's active military presence in Asia -- including our forward presence in South Korea and our bilateral security agreements -- to deter regional aggression and secure our national interests. He also has supported new regional exchanges -- such as the ASEAN Regional Forum -- to enlarge the regional security dialogue, promote transparency of defense policies, and improve communications on security issues.

- **Africa**

There is a new spirit of democracy and self-reliance throughout Africa. Our strategy embraces this new spirit because Africa matters -- as evidenced by high level visits by the Vice President, the National Security Adviser and the Deputy Secretary of State. Africa matters because of the huge potential of its people and its economies, potential that is already being realized to create jobs and exports for our own country. It matters because of the historic ties that bind our peoples, including 25 million African Americans. And it matters because the great global challenges of tomorrow -- promoting sustainable development, protecting human rights, stopping environmental decline, ensuring reasonable population growth, preempting ethnic tensions, and integrating the rich spiritual heritage of Islam into the demands of modern states -- can be seen in the challenges facing Africa today.

Throughout Africa, the Clinton Administration has supported democracy, sustainable economic development, and conflict resolution through negotiation, diplomacy, and peacekeeping. In the past two years, America has worked hard to enhance stability, particularly in Southern Africa. We helped bring an end to two decades of brutal civil war in Angola and Mozambique. We have fostered new cooperation with South Africa and provided assistance to that nation's historic transition to democratic rule. Under the innovative leadership of the U.S. Agency for International Development, we have launched a new initiative in the Horn of Africa to anticipate and address the causes of potential famine that threatens 25 million people. We have helped relieve the crushing burden of debt for many African nations. And we have responded to humanitarian crises in Rwanda, Liberia, Angola, Sudan, and elsewhere.

11D. ACTING AS AN EFFECTIVE PEACEMAKER AND MEDIATOR

"Who, a decade ago, would have dared predict the startling changes in South Africa, in the Middle East, in Ireland: the stunning triumph of democracy and majority rule; the redemption of the purpose of Nelson Mandela's life; the brave efforts of Israel and its Arab neighbors to build bridges of peace between their peoples; the earnest search by the people of Northern Ireland and Great Britain and Ireland to end centuries of division and decades of terror. In each case, credit belongs to those nations' leaders and their courageous people. But in each instance, the United States and other nations were privileged to help in these causes."

President Clinton
UN General Assembly
September 26, 1994

Actions to Date

Because of its moral leadership and stature, the United States enjoys a unique ability to help broker peace, thereby preventing regional conflicts from threatening our security. President Clinton has played a key role in resolving long-standing international disputes, including rivalries that were once considered intractable. Since taking office, the President:

- Helped Israel and the Palestinians implement their historic accord.
- Helped Israel and Jordan achieve a landmark peace treaty.
- Worked for the unprecedented cease-fire and negotiations for peace in Northern Ireland.
- Encouraged the peaceful resolution of crises in Africa -- including South Africa, Liberia, Angola, and Mozambique.
- Developed a comprehensive framework for U.S. policy on peacekeeping and peace-enforcement in the post-Cold War era.

Background

Too often, regional conflicts persist until they develop into crises with serious security implications for the United States or its allies. The best examples are in the Middle East, where enduring conflict between Israel and its Arab neighbors has brought us to the brink of direct military engagement.

That is why our presidents historically have been involved in efforts to mediate between seemingly irreconcilable adversaries. President Clinton stands firmly in that tradition. Through his personal engagement, he has helped resolve and mediate some of the most intractable regional problems of our time.

The Initiative

- **Brokering Peace**

"The United States has been proud to serve as a full partner in the search for peace [in the Middle East] not by imposing peace or making life and death decisions for others; that must be the responsibility of the leaders and the people of the region. Rather, [America's] role is to facilitate negotiated compromise and to underwrite reasonable risk-taking. And that is exactly what we've done."

President Clinton

August 24, 1994

Teleconference with the B'rith Convention

For almost half a century, administrations of both parties have understood America's vital interests in the Middle East: to ensure Israel's security and to guarantee unimpeded access to oil. Experience has taught us that events in the region can directly influence our well-being -- by raising the price of oil and threatening our economy, or by fueling the kind of terrorist extremism witnessed in the World Trade Center bombing in New York. As a result, American soldiers have risked their lives in Operation Desert Storm and other efforts defending our vital national interests. And the United States has worked tirelessly to achieve a comprehensive peace between Israel and its Arab neighbors. Never before have we been closer to that goal.

We have witnessed extraordinary progress in the Middle East. Credit belongs to the leaders and courageous people of the nations of the region. But in each of these instances, countries have looked to America's leadership to help move them towards a peaceful settlement. President Clinton has been actively involved in the handshake of peace between

Israeli Prime Minister Rabin and PLO Chairman Arafat on the White House lawn; the peace treaty between Israel and Jordan; progress on ending the Arab boycott of Israel; a package of international assistance to help finance the difficult task of peace-building; and new ties between Israel and a growing number of Arab states. The United States also facilitated serious negotiations between Israel and Syria and between Israel and Lebanon. The President will continue to give his full support to the peace process, press the Arab League to end the boycott of Israel, and help create new structures of cooperation on arms control, regional security, and economic progress.

In Northern Ireland, the President helped achieve a historic cease-fire by both the Irish Republican Army and loyalist paramilitaries that has given new hope for a lasting political settlement. To support the people of Northern Ireland as they move towards reconciliation, this May he will sponsor a White House Conference on Trade and Investment in Ireland. The United States, and the millions of Americans who care deeply and have strong ties to Ireland and Britain, will continue to play an important role in supporting peace and expanding economic opportunities in the region.

In other regions, the United States recently has played a major, and in some cases decisive, role in facilitating negotiated compromise. We helped South Africans rid themselves of apartheid and played a leading role in bringing an end to two decades of civil war and promoting national reconciliation in Mozambique and Angola. Elsewhere in Africa -- in Liberia and Sudan -- the United States encouraged peaceful resolution of internal disputes, and we sent troops to Rwanda to promote reconciliation. Seeking to avert a major escalation of ethnic violence in Burundi, the United States has actively encouraged national reconciliation and enhanced our aid program to that effect. Throughout, the President has acted as an effective peacemaker whose actions have contributed to changing the lives of individuals in Africa, Europe, and the Middle East.

- **Peacekeeping**

"The reason we have supported [peacekeeping] missions is not, as some critics in the United States have charged, to subcontract American foreign policy but to strengthen our security, protect our interests, and to share among nations the costs and effort of pursuing peace. Peacekeeping cannot be a substitute for our own national defense efforts, but it can strongly supplement them."

President Clinton
Address to the UN General Assembly
September 27, 1993

Most of our efforts to broker peace or mediate conflict do not involve U.S. forces. However, there are times when our forces, along with those of other nations, are needed to keep the peace. Every President from Truman and Eisenhower to Reagan and Bush has

crafted such efforts to advance America's interests. Under President Clinton's leadership, for example, the United States has deployed more than 700 peacekeepers in the Former Yugoslav Republic of Macedonia to prevent an expansion of the Bosnian conflict that could imperil stability in Europe. There, as elsewhere, peacekeeping operations can effectively support our national security interests.

But President Clinton is determined to improve the way these international efforts are conducted. On the basis of a comprehensive review, Reforming Multilateral Peace Operations, the U.S. will make disciplined choices about where and when we support multilateral peace operations. President Clinton will ensure that our engagement abroad remains selective, focused on the challenges that are most relevant to our interests, and that United Nations peace operations are carried out with clear objectives and a definite endpoint in mind. The President will also reduce our share of UN peacekeeping payment from 30% to 25% of the total UN peacekeeping budget this year, and get other countries to shoulder their fair share.

America's willingness to work for negotiated compromise and contribute to maintaining the peace builds on a common-sense principle: Our national security is better protected when we help resolve potentially dangerous conflicts before a conflict erupts. By acting as a peacemaker and mediator when asked, and by contributing to peacekeeping efforts when appropriate, the United States advances its interests while sharing the burden with our allies.

11E. PROMOTING DEMOCRACY

"Our efforts to help build more democracies will make us all more secure, more prosperous, and more successful as we try to make this era of terrific change our friend and not our enemy."

President Clinton
Address to the UN General Assembly
September 26, 1994

Actions to Date

Strengthening and expanding the community of democratic nations advances our national interests and is consistent with American ideals. During the past two years, the United States has:

- Assisted the newly independent states of the former Soviet Union, including Russia and Ukraine, to make progress toward democracy and market reforms.
- Supported the democratic and free market transformation of former communist states in Central and Eastern Europe.
- Helped restore democracy and stability in Haiti.
- Assisted in South Africa's transition to democracy by providing support for elections and development.
- Hosted the Summit of the Americas, the first hemispheric summit in nearly 30 years -- an unprecedented gathering of the leaders of 34 democratic nations.

Background

All of America's strategic interests -- from promoting prosperity at home to checking global threats before they threaten our territory -- are served by enlarging the community of democratic and free market nations. Democratic nations are less likely to wage war. They are more likely to promote open markets and free trade. They are also

more likely to provide people with the economic and political tools to build a future in their own countries. Expanding the community of democratic nations enhances the physical and economic security of all Americans: it reduces the risk that the United States will have to use military force to defend itself or its allies, stems the flow of refugees to our shores, and ultimately increases opportunities for U.S. exports.

Helping build more democratic nations also marries our self-interest with our values: Americans gain as freedom and liberty expand their reach around the globe.

In the past few years, numerous nations have broken the shackles of repressive government and turned toward democracy. The Clinton Administration's strategy is to help democracy and markets survive and expand in countries where we have the strongest security concerns and where we can make the greatest difference: in nations with large economies, nuclear weapons, critical locations, or the potential to generate major flows of refugees into our nation. The United States has a pragmatic commitment to help freedom take hold where it will help us most.

Over the past two years, President Clinton has taken decisive steps to support democracy in some of the most vital parts of the world -- in Russia and in other states of the former Soviet Union, in Central and Eastern Europe, and in our own hemisphere. At the same time, the President has sought to increase respect for fundamental human rights in all states.

The Initiative

"Democracy is rooted in compromise, not conquest. It rewards tolerance, not hatred. Democracies rarely wage war on one another. They make more reliable partners in trade, in diplomacy, and in the stewardship of our global environment. Democracies with the rule of law and respect for political, religious, and cultural minorities are more responsive to their own people and to the protection of human rights."

President Clinton
September 27, 1993
Address to the UN General Assembly

The Clinton Administration has strongly supported the democratic and free market transformation of the nations emerging from the former Soviet bloc because America has a tremendous stake in the success of this historic process. The course of events in Russia, Ukraine, other newly independent states and nations in Central and Eastern Europe, will have a critical impact on our nation.

While recognizing that Russia's historic transformation will experience ups and downs, the President has not wavered from the course of patient, responsible support for Russian reform. The President's reasons are clear: if reform succeeds, we can turn a former foe into a valued diplomatic and economic partner. We can prevent the buildup or spread of nuclear weapons and the theft of materials to build them, and ensure compliance with international non-proliferation accords. Reducing our nuclear arsenal, in turn, allows us to devote more resources to domestic priorities, including job creation, education, and crime prevention.

Two World Wars and a Cold War bear witness to our enduring commitment to Europe. As history has shown, the stakes are high in this part of the world. Over the last few years, the people of Central Europe, who suffered for two generations under the yoke of communism, displayed extraordinary courage in their pursuit of freedom.

The Clinton Administration recognized the importance of helping them transform their nations into democratic states. Their successful integration into an expanding democratic community would show the way to other nations of the post-communist world, enhance our security and create new opportunities for trade.

To strengthen democracy, encourage market reform, and enhance security in the former Soviet Union and Central and Eastern Europe, the Clinton Administration has:

- Intensified our economic, security and political cooperation with the new democracies, beginning with the President's Prague Summit in January 1994 and continuing through the Riga and Warsaw visits in July and the Budapest trip in December;
- Created a commission, led by Vice President Gore and Russian Prime Minister Chernomyrdin, to expand economic and commercial ties with Russia and promote mutually beneficial cooperation in science, space, and the environment;
- Secured a comprehensive assistance package for the newly independent states to help them develop market economies and become attractive partners for American trade and investment;
- Greatly expanded relations with Ukraine, Kazakhstan and other newly independent states;
- Launched an intensive effort to promote trade and investment in Central and Eastern Europe, beginning with the Trade and Investment Conference for Central and Eastern Europe held in Cleveland in January, 1995.

Closer to home, the President has taken steps to consolidate democracy and free

markets in our hemisphere. As a result, regional stability has increased and trade opportunities have multiplied.

In Haiti, a combination of vigorous diplomatic pressure and the threat of overwhelming U.S. military power convinced the Haitian generals to depart. Then, the United States led a multinational coalition that peacefully restored President Aristide and his constitutionally established government. American and other coalition troops have now created a secure environment for the Haitian people which has ended the dangerous flight of refugees to our shores. Our success has helped Haitians breath life back into the political institutions of their fragile democracy. Debate has replaced dictatorship and the government is seeking to serve all the citizens, not just the elites who have dominated Haiti for so long. The United States and others are working with Haitians to train a new police force, build judicial institutions, and hold free and fair elections.

At the end of March 1995, we will turn over responsibility to a United Nations peacekeeping force that will include about 2,500 U.S. troops. The UN force will help see Haiti through the parliamentary elections this spring and the presidential elections in December, and finish the job of training and deploying Haiti's civilian police. With democracy twice validated through elections and a new security force in place, the UN mandate will be complete and American troops will leave Haiti by February of 1996.

Last year, President Clinton also brought together all 34 democratically elected leaders of the Western hemisphere at the Summit of the Americas. The Summit's numerous initiatives and particularly its agreement on free trade will help deepen the democratic trend and enhance stability in the Americas. In Cuba, the Administration will pursue its efforts to help promote a peaceful transition to democracy so that, at long last, the Cuban people can join the community of free nations.

The President has been steadfast in his support for democracy in other vital areas. The Clinton Administration played an aggressive role in South Africa's transition to democracy and in its efforts to overcome the divisions of the past, helping to turn it into a powerful model for democratic reform in Africa and beyond. The United States supported the country's first free, multiracial elections with \$435 million in aid. Following President Mandela's election, the Administration reaffirmed its commitment with a \$600 million trade and investment package. This support will benefit not only South Africans but Americans as well, for it will generate increased trade and export opportunities in a dynamic market. The United States also encouraged nations like Mozambique and Cambodia along the path to democracy, and worked to help stop a democratic reversal in Guatemala.

Because there can be no democracy absent respect for human rights, President Clinton has also promoted human rights throughout the world -- without arrogance but

without apology. At the 1993 United Nations Conference on Human Rights, the U.S. forcefully and successfully argued for a reaffirmation of the universality of such rights. The United States has voiced its concerns on numerous occasions and will continue to do so both on a bilateral basis and in multilateral settings like the United Nations. To demonstrate our own willingness to adhere to international human rights standards, we ratified the international convention prohibiting discrimination on the basis of race, and the Administration is seeking Senate consent to ratification for the convention prohibiting discrimination against women.

11F. CONFRONTING TRANSNATIONAL THREATS

"...[T]here are still dangers in the world: rampant arms proliferation, bitter regional conflicts, ethnic and nationalist tensions in many new democracies, severe environmental degradation the world over, and fanatics who seek to cripple the world's cities with terror. As the world's greatest power, we must, therefore, maintain our defenses and our responsibilities."

President Clinton

January 25, 1994

State of the Union address

Action to Date

Today, we face a new generation of threats to our security and our way of life -- threats that know no national boundaries. We need to confront these transnational threats head on lest they jeopardize our safety and the well-being of future generations. Since taking office, the Clinton Administration has:

- Frozen the assets in the United States of terrorist organizations that threaten to disrupt the Middle East peace process, and prohibited any financial transactions with these groups.
- Tracked down and begun to prosecute the alleged bombers of the World Trade Center.
- Carried out a massive humanitarian mission in Rwanda that saved tens of thousands of lives.
- Put an end to the massive influx of Cuban and Haitian migrants to the United States.
- Negotiated and signed the Desertification Convention, which will help preserve the world's arable land and prevent further expansion of deserts.
- Asserted world leadership on environmental and population issues, playing a key role at the International Conference on Population and Development in Cairo.

Background

In today's world, we face a number of transnational problems that jeopardize international stability, America's security, and the long-term well-being of our citizens. These threats might not appear as immediate as direct military challenges. But they can each pose a devastating danger.

Problems such as terrorism, international crime, alien smuggling, humanitarian catastrophes, environmental degradation, natural resource depletion and unsustainable population growth have both short and long-term security implications for every American. If our generation does not tackle these problems, they will threaten America's way of life and future prosperity. That fundamental reality governs President Clinton's strategy.

The Initiative

- **Confronting terrorism**

"This year I'll submit to Congress comprehensive legislation to strengthen our hand in combating terrorists, whether they strike at home or abroad. As the cowards who bombed the World Trade Center found out, this country will hunt down terrorists and bring them to justice ... We cannot permit the future to be marred by terror and fear and paralysis."

President Clinton
January 24, 1995
State of the Union address

As the World Trade Center bombing and repeated terrorist actions in the Middle East remind us, international terrorism threatens our national security interests -- including the physical safety of our citizens. President Clinton is committed to tracking down and prosecuting terrorists and deterring them from striking again. Once it was clear that Iraq had plotted an assassination attempt against former President Bush, President Clinton ordered a cruise missile attack against the headquarters of Iraq's intelligence service. We are increasing pressure on states that sponsor terrorists, and coordinating stepped-up anti-terrorist efforts with our allies. And the United States obtained convictions against defendants in the bombing of the World Trade Center.

This year, the President will send to the Congress comprehensive anti-terrorism legislation that will strengthen our ability to prevent terrorist acts, identify those who carry them out and bring them to justice. As part of that effort, the President signed an executive

order to freeze terrorist organizations' assets in the United States. The President's action provides the Administration with a new tool to combat fund-raising by organizations that use terror to undermine the Middle East peace process.

We will continue to maintain international sanctions against Libya that were imposed in response to the bombing of Pan Am Flight 103. These sanctions help isolate Libya, prevent it from pursuing aggressive policies and send a message to other would-be state sponsors of terrorism. They will be maintained until Libya allows the alleged perpetrators of this terrorist act to stand trial. And we will also pursue our policies of "dual containment" against Iraq and Iran. The international sanctions against Iraq prevent it from rebuilding its defense establishment and from threatening its neighbors. Our efforts to isolate Iran seek to block it from acquiring weapons of mass destruction or undermining the peace process in the Middle East.

- **Fighting narcotics and international crime**

Under President Clinton's leadership, the United States is confronting other transnational problems head on -- international crime, drug trafficking, and alien smuggling. The United States is insisting that other countries prosecute international fugitives or extradite them to the U.S. to ensure that convicted criminals serve tough sentences. We are mobilizing law enforcement authorities around the world against the drug cartels and using foreign aid to promote legal alternatives to opium poppy and coca cultivation. To prevent the possible criminal diversion of material from dismantled nuclear weapons, we reached an agreement with Russia to convert 500 tons of highly enriched uranium into non-weapons grade material and airlifted more than half a ton of highly enriched uranium from Kazakhstan to the United States for safekeeping.

- **Addressing humanitarian and refugee crises**

Humanitarian catastrophes present yet another case of a global issue that can spill over across borders, result in massive population transfers, and destabilize entire regions. While the United States cannot and will not be the world's policeman, the President will take appropriate steps to contain crises and alleviate their impact. In Rwanda, the tragedy of civil war and the mass flight of the population dwarfed the ability of civilian relief agencies to respond. The need for relief was urgent. Our troops acted decisively, saving tens of thousands of lives. We delivered more than 1,300 tons of equipment, food, water and medicine. We increased safe water production and distribution from nothing to 100,000 gallons a day. In Bosnia as well, our forces came to the help of people caught in an unimaginable tragedy, carrying out the longest humanitarian air-lift in history, and helped lift the siege of Sarajevo.

In Haiti and in Cuba, our vigorous responses to crises allowed us to fulfill both our humanitarian and immigration control objectives. The United States protected our borders while providing a safehaven to Cuban and Haitian migrants at Guantanamo and elsewhere. Then, by establishing security and restoring democracy in Haiti, the United States made it possible for more than 20,000 Haitian migrants to leave our facilities and return home. The once massive outflow of refugees -- which reached a high of 16,000 in July -- has stopped, sparing American taxpayers the cost of dealing with massive immigration and ensuring regional stability.

- **Protecting our environment**

"Let us also work far more ambitiously to fulfill our obligations as custodians of this planet, not only to improve the quality of life for our citizens and the quality of our air and water and the Earth itself but also because the roots of conflict are so often entangled with the roots of environmental neglect and the calamity of famine and disease."

President Clinton

Address to the UN General Assembly

September 27, 1993

A range of environmental problems jeopardize our security -- deforestation, uncontrolled population growth, industrial pollution, loss of biodiversity, ozone depletion, and global climate change. Confronting these challenges requires forging partnerships among governments and exercising forceful international leadership. The Clinton Administration has done both. In the past two years, the United States negotiated and signed the Desertification Convention, which establishes general obligations for all governments to cooperate in stemming the tide of desertification. The health of our environment, the availability of resources, and the elimination of famine and malnutrition all depend on our efforts to prevent the encroachment of deserts. The United States also signed the Biodiversity Convention which addresses a wide range of critical issues -- from preservation and sustainable use of the world biodiversity to the safety of biotechnology.

During the Cairo conference on Population and Development, the U.S. played a key role and asserted world leadership on population issues. The conference's Program of Action will lead to increased availability of voluntary family planning and reproductive health services, a strengthening of family ties, and the empowerment of women.

The United States will be pursuing a number of significant initiatives over the coming year. 1995 is the year of the First Meeting of the Parties to the Climate Change Convention. We hope that this meeting will launch the beginning of a new round of negotiations for actions beyond the year 2000. We are also engaged in a number of separate negotiations on forest issues, oceans and fish, transportation of hazardous waste,

and ozone layer depletion. In addition, the U.S. is engaged in an effort to realign and reform the international organizations involved in the environment and sustainable development. The Clinton Administration has taken the lead in the world community on these issues, crafting solutions and building coalitions to meet the challenges of this new generation of transnational problems.

11G. DEFENSE REINVESTMENT: MEETING THE CHALLENGES OF DEFENSE DOWNSIZING

"...these changes had to come...If we take bold action, we can be the beneficiaries of change...Clearly, defense...[transition]...can be done and can be done well, making change our friend and not our enemy. But in order to do it we must act, act decisively, act intelligently, and not simply react years after the cuts occur."

President Clinton

March 11, 1993

Remarks to Westinghouse Employees

Actions to Date

Although the defense budget has been falling since 1986, previous administrations had no strategy for making the transition to a post-Cold War economy. President Clinton promised to change that. In March 1993, President Clinton announced a five-year, \$20 billion Defense Reinvestment Initiative designed both (i) to maintain our technology edge with a smaller defense budget; and (ii) to ease economic adjustment for those who have relied on defense spending for their livelihood.

Implementing a "dual-use technology strategy" to promote greater integration of our commercial and defense industries, the Pentagon has:

- Worked with Congress to overhaul procurement law and scrapped outmoded specifications and standards, enabling the military to take advantage of state-of-the-art commercial technology.
- Invested \$4 billion to advance "dual-use" technologies crucial to our military, such as high-performance computing and flat-panel displays.
- Supported the commercialization of defense technologies such as "stealth" composites and precision lasers, to make them more affordable to the military.

Acting to ease the economic adjustment of workers, firms and communities which have relied on defense spending:

- DoD reduced its civilian workforce in 1993-94 by 105,000, all but 7,200 by providing early retirement benefits and other incentives for voluntary separation.
- The Department of Labor awarded \$177 million to 99 locally-run projects for retraining 52,000 defense workers.
- DoD is facilitating the reuse of property from closing military bases by local communities by discounting the price of property used for job-creating economic development.

CHALLENGE #1: INTEGRATING THE DEFENSE AND COMMERCIAL SECTORS

Background

Superior technology was the basis of America's military advantage throughout the Cold War. We must continue to maintain that technological edge in a post-Cold War era that still includes threats to our interests, values and security -- but we must do it on a tighter budget and in a world of global competition. Maintaining our edge in this new environment requires fundamental changes in the way the Department of Defense acquires the technology to support its weapons systems.

DoD must break down the barriers created over the last 30 years between the defense and civilian sectors. DoD's overreliance on military specifications and its cumbersome procurement system have led many commercial firms to refuse to do business with DoD altogether, while those that do often wall off their defense production. As a result, DoD has become reliant on an increasingly segregated defense industrial base.

Such a strategy is inappropriate. First, the cost of supporting a segregated defense industrial base has become prohibitive. Unit production costs of weapons systems have increased 5 to 7 percent a year since World War II -- *not counting inflation*. For example, the military is paying \$10 for computer chips virtually identical to chips sold commercially for \$1.

Second, in many important technologies, the defense industry is no longer the leader. Indeed, the new technologies most critical to our military advantage -- software, computers, semiconductors, telecommunications, advanced materials and manufacturing technologies -- are all being driven by fast-growing *commercial* demand. Because of their isolation and shrinking market, defense firms are not investing in new technology at rates comparable to those of their commercial counterparts that face global competition.

As a nation, we can no longer afford to maintain two distinct industrial bases. We must move toward a single, cutting-edge, national technology and industrial base, serving military as well as commercial needs.

This "dual-use technology strategy" represents a new way of doing business. Most important, it will allow the Pentagon to exploit the rapid rate of innovation by commercial firms to meet defense needs. Moreover, this strategy will allow the Defense Department's continuing investments in technology to contribute more to our nation's commercial performance and economic growth.

The Initiative

President Clinton's strategy for ensuring that the military has affordable, leading-edge technology can be summed up as: acquisition reform plus investment in dual-use technology.

Fundamental **reform of the defense acquisition system** is the essential foundation for DoD's dual-use strategy. At the Administration's urging, Congress passed the landmark "Federal Acquisition Streamlining Act of 1994," which will significantly improve the way the government buys \$200 billion worth of goods and services a year, from software to jet aircraft.

To complement congressional reforms, Defense Secretary Perry in June 1994, announced a dramatic reversal of the Pentagon's longstanding policy toward "milspecs," instructing the military services to use commercial rather than military specifications and standards "unless no practical alternative exists." This new policy will mean the end of the \$500 coffeepot and the \$10 computer chip.

Acquisition reform will also help defense firms diversify into commercial markets, where -- freed from the weight of government red tape and special requirements -- they can be globally competitive. Such diversification will help these firms preserve high-paying jobs and will assure the survival of the industrial base we need to maintain our national security and strengthen our economy.

Building on this foundation, DoD's new **dual-use strategy** has three key pillars.

First, the Pentagon is bolstering its support for dual-use R&D to exploit the potential of advanced commercial technologies to meet defense needs. DoD's Advanced Research Projects Agency (ARPA) is targeting investments in focused "thrust areas" -- computers and software, electronics, sensors, simulation, and manufacturing -- to ensure that commercial firms in this country can supply the superior technologies that will maintain our military advantage.

The Technology Reinvestment Project (TRP), managed by ARPA with extensive participation by the military services, is DoD's largest dual-use initiative. Unveiled by President Clinton in early 1993, the TRP has awarded cost-shared grants totaling \$820 million to about 250 projects involving more than 2,000 firms, universities and other participants. Winning projects -- selected from thousands that applied -- were chosen solely on the basis of technical merit.

A key to the TRP's success is its emphasis on industry partnerships and cost

sharing. Winning projects have matched every federal dollar with \$1.33 of non-federal funds -- a total of about \$1.1 billion. This cost share ensures industry's commitment to projects and lays the foundation for industry to assume the full cost of product development.

TRP projects are directed at meeting military needs in a range of areas: **low-cost night vision**, that will allow U.S. troops to "own the night" through use of infrared sensors made 10 times cheaper by leveraging new commercial technology; **high-density data storage**, vastly increasing the immediate access of our front-line soldiers to the best information and intelligence; **battlefield casualty treatment**, using new sensors and information systems to help rapidly find, diagnose and treat injured soldiers on the battlefield; **affordable composite aircraft structures**, using lightweight, polymer composites for aircraft engines to increase the performance and range of military aircraft, while lowering the cost of repair and maintenance; **detection of chemical and biological agents**, through the use of sensors, to protect our troops in the battlefield.

The second pillar of DoD's dual-use strategy is the **integration of defense and commercial production**. The Pentagon is pursuing this goal in two ways: (i) supporting efforts to transition defense technologies to commercial applications, to make those technologies more affordable and accessible to the military; and (ii) helping U.S. manufacturers become more flexible, so they can produce custom military products alongside commercial versions of the same product.

To illustrate, a few years ago, DoD pursued MIMIC (microwave monolithic integrated circuit) technology for military radar as a strictly military development, but the high costs prohibited widespread defense use of the devices. Now, DoD encourages contractors to pursue commercial applications -- for example, in collision avoidance systems for automobiles, satellite communications, and signal processing for air traffic control -- making the devices more affordable for the Pentagon. A joint venture between Hughes Aircraft and Delco Electronics produces the military device and a commercial version on the same production line, with a changeover time of less than two hours.

The third pillar of the dual-use strategy is DoD's investment in initiatives that encourage "**insertion**" of **commercial technologies and products** in the development, production and support of **military systems**. Successful insertion requires that weapon systems be designed from the outset to incorporate commercial rather than defense-unique materials, technologies and components. An example: in 1994, when DoD solicited proposals to develop an unmanned aerial vehicle, contractors were told only a maximum cost (\$10 million each) and what the vehicle had to do; it was up to them to determine how to meet these requirements. Given this cost ceiling, an ambitious deadline and a streamlined acquisition process, contractors proposed designs that relied heavily on existing commercial technology, often forming partnerships with commercial companies. Fourteen

teams submitted proposals -- a sign of industry's enthusiasm for this innovative program.

CHALLENGE #2: EASING THE TRANSITION

Background

"...[W]e must [act so as not to] leave the men and women who won the Cold War out in the cold.

President Clinton

March 12, 1993

Radio Address to the Armed Forces

The defense budget peaked in 1986 and has been declining ever since. The result is that from Southern California to Long Island and Connecticut, communities, companies and workers who depended on defense are struggling to find new ways to earn their livings.

This drawdown is smaller than those following World War II, Korea and Vietnam, and its economic impact may be masked by our robust job growth during the past two years (nearly 6 million new jobs). But the impact on regions where defense firms are concentrated or where bases are closing is severe.

Still, these hard-hit communities have real strengths to exploit. Regions where defense industry is concentrated -- like aerospace in Southern California, lasers in Orlando, or electronics in Silicon Valley -- can draw on a flexible and adaptable network of subcontractors and specialized supplier firms; a large pool of scientists and engineers, technicians and skilled blue-collar workers; and advanced capabilities in universities and specialized research institutes. With the right assistance, including reform of the federal acquisition system, many of these centers of defense industry have the potential to compete in emerging dual-use industries such as environmental and biomedical technology, medical instruments, advanced transportation equipment and communication systems.

Communities where military bases are closing frequently lack the technological capabilities of defense industrial regions, but they possess other assets that can provide the basis for charting a new economic future. An airfield, a port, or the land, buildings, furniture and equipment on a base can be the catalyst for local economic development. Civilian base employees represent a skilled, dedicated, and trainable workforce. And the closure of the base itself can sometimes provide new market opportunities -- such as the need for environmental cleanup.

The Initiative

Diversification. To speed economic adjustment, the Clinton Administration's defense reinvestment initiative includes substantial investments in advanced technologies as well as more targeted support for defense-dependent workers, firms and communities. However, defense-dependent regions must take the lead in developing their own diversification strategies. The Federal government's job is to contribute resources with which workers, firms and communities can pursue these strategies.

This approach is working. In Silicon Valley, for example, local defense firms are diversifying into commercial markets in communications systems, advanced computing, and environmental and sensing technologies. Groups such as "Joint Venture: Silicon Valley" -- a public-private consortium established in 1992 -- are brokering partnerships between defense and commercial firms, putting entrepreneurs in touch with financial, technical and business resources, and providing retraining and job placement for displaced defense workers. To help support these activities, the Commerce Department awarded a small grant to Joint Venture: Silicon Valley, and the Labor Department is funding local retraining efforts. Several Silicon Valley firms that are developing flat panel displays, high-density data storage devices and other dual-use technologies have won cost-shared awards from DoD, through the Technology Reinvestment Project. These awards -- which are made strictly on merit, with no regard to region -- illustrate the strengths possessed by regions that build up talents and technologies to meet defense needs.

Reemployment and retraining. To provide for adjustment and training of defense workers and DoD military and civilian personnel, the Clinton Administration has, among other things:

- Provided extensive assistance to 300,000 separating military service members and their families at 330 military installations worldwide through Operation Transition, and made aggressive use of early retirement benefits and other incentives, to avoid involuntary layoffs.
- Awarded \$177 million in Department of Labor funds for 99 locally-run projects targeted at retraining some 52,000 defense-dependent workers. Of these, 19 are demonstration projects to avoid layoffs or to train workers for new occupations.
- Launched the "Troops to Teachers" program to place former service members and other defense workers as teachers or teachers' aides, primarily in low-income districts, and pay part of their salaries for 5 years.

Base Closings. To speed the economic recovery of communities where bases are closing, the President in July 1993, announced a five-point program whose key goals are rapid redevelopment and the creation of new jobs through:

- allowing DoD to transfer base property at low cost or no cost
- fast-track environmental cleanup
- assigning "transition coordinators" to every major base
- making larger economic planning grants
- easy access to transition help for workers and communities

And the Administration lost no time putting this plan into action. For example, it:

- Dispatched an interagency "SWAT" team to every community with a major facility on the list of bases selected in 1993 for closure. Department of Labor staff worked with each community to design a customized training and reemployment plan for civilian base employees as well as separating military personnel. Reemployment centers were established up to two years in advance at major bases scheduled for closure.
- Awarded planning grants to all 29 of the most seriously affected communities on the 1993 base closure list, through DoD's Office of Economic Adjustment. The awards, on average, were made within two weeks of receiving complete applications.

Congress endorsed the President's approach by enacting the Base Closure Communities Assistance Act. Among other things, this Act allows base property to be transferred at a discount to local redevelopment authorities, provided that any profits on subsequent sales and leases be shared with the federal government.

The President's plan has already produced results:

- Residents of Rantoul, Illinois took advantage of federal assistance programs in the Departments of Defense, Transportation, Labor and Commerce to transform Chanute Air Force Base into an asset for economic growth. They created 1,200 jobs on the base within a year of closure.
- At Sacramento Army Depot, with the assistance of DoD and Labor placement and training programs, the Pentagon eliminated all 3,000 civilian jobs with no involuntary terminations. By early 1995, Packard Bell will be manufacturing computers in the former Army facility. The company plans to employ 1,300 new workers.
- At the Philadelphia Naval Shipyard, new rules that permit 10-year leases, leasing of

Navy equipment and hiring of former shipyard workers enabled a New Jersey machine shop to move onto the site, retain a \$2 million contract, and create 200 new jobs.

Shipbuilding. The Administration has also implemented an aggressive Shipbuilding Initiative to enable U.S. shipyards to reenter commercial competition. This initiative has:

- Provided increased funding and more generous financing terms under the Ship Financing program, allowing U.S. yards to compete for international business for the first time in nearly 30 years. In August, the President announced approval of two applications for loan guarantees and the receipt of two other applications which, when executed, will result in the preservation of 7,100 U.S. shipbuilding jobs.
- Secured passage of the five-year, MARITECH program, with funding of over \$200 million, to support R&D on ship design and construction. Transportation Secretary Pena awarded the first \$30 million in matching grants in May 1994.
- Concluded an agreement at the OECD (Organization for Economic and Cooperative Development) to end longstanding foreign shipbuilding subsidies.
- Increased export promotion efforts on behalf of U.S. yards.
- Will reintroduce legislation to make U.S. shipyards more globally competitive by bringing U.S. construction standards in line with international standards.

Case Studies
Selected TRP Projects:
Dual-Use Technology to Meet Defense Needs

Infrared Sensors

Cooled infrared sensors helped U.S. forces in Desert Storm "own the night." Even the less expensive variety of sensors (uncooled), however, are too expensive at this point for wide adoption by combat forces. But, with upgraded performance and lower cost, uncooled sensors could have a wide array of military uses -- from missile guidance systems, to "lights out" night driving, to equipment that would allow our soldiers to fight under cover of night, fog or smoke. Thus, the Pentagon places a high priority on their development.

But to generate the kind of R&D necessary to upgrade performance and lower cost, commercial applications must be promoted. Such applications could include finding power line leakages, seeing through smoke during fires and, eventually, aiding all night drivers.

The TRP Infrared Sensor project is aimed at improving performance and lowering costs at least tenfold through commercial approaches to development and eventually through economies of scale. As costs fall and the market expands, the armed services will be able to meet their needs from an integrated civilian-military base, adding its particular requirements to purchases from an active industry.

TRP projects are supporting three different technical approaches for improvement of uncooled infrared sensors, in teams led by Loral, Texas Instruments, and Inframetrics.

Casualty Care

The first hour after injury on the battlefield is critical. A wounded soldier's chance of recovery depends on whether he receives prompt diagnosis and care. The proportion of wounded who survive this "Golden Hour" has not altered since the Civil War.

TRP projects support development in two areas of modern technology that hold out the hope of greatly improving the proportion of survivors: sophisticated sensors and displays that can allow accurate monitoring of an injury and the making of a diagnosis; and modern information systems, and their management and distribution.

The goal is for every soldier going into combat to have sensors and an identifier (like a bar code) in place. If the soldier is wounded, doctors away from the battlefield will get the information needed for diagnosis, and will be able to give treatment instructions to medics on the scene. Remote diagnosis and linkage can also help paramedics save civilian lives at the scene of accidents.

The TRP projects on casualty care would meet military needs while also integrating civilian and military medical technologies more fully.

The TRP approach to casualty care is evident in a project on a Digital X-Ray System for Trauma and Battlefield Applications. General Electric has teamed with EG&G in a 2-year program to develop such a system. It will allow direct digitization of the X-Ray, with no use of film, and will enable immediate transmission of the X-Ray to doctors remote from the battlefield or accident scene. Besides its great benefits for wounded soldiers and injured civilians, digital X-Ray promises a competitive advantage for GE by the year 2000.

Case Study:
The Massachusetts Strategic Skills Programs:
A Job-Savings Defense Diversification Strategy

Beginning early in 1993, six small and medium-sized defense firms in Massachusetts took part in a retraining project for managers and workers to help fit them for competitive performance in the world of commercial production. It was an uphill climb for most of them -- especially the managers -- but it was worth it. As of early 1995, all of the firms have found new commercial customers and none have had to lay off workers. Several of the firms have added workers.

The project was supported by a \$367,000 grant from the Department of Labor and carried out by the Massachusetts Industrial Services Program (ISP). The project is part of a small DOL demonstration program on defense diversification, which is testing ways to avoid layoffs in defense firms and create job opportunities for defense workers.

The training was based on up-to-date concepts of the high-performance work place, involving team building, worker responsibility and participation, cross-training for flexible work teams, and management that relies on leadership rather than top-down command. Training also included worker skills such as good basic reading and math, advanced measurement techniques, and computer literacy and applications; as well as management skills in quality issues, financial resources, and new product planning.

The companies that have already found new commercial customers took advantage of core abilities in turning defense technologies to commercial applications. For example, a firm expert in making minuscule electronic devices started making small electronic components for medical instruments. Another, which made indestructible furniture for military outposts has used this technology in making products for fast food restaurants and hospitals.