

Withdrawal/Redaction Sheet

Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. email	C L Evans to R. Lawrence, re Thesis Defense (1 page)	03/02/1999	P6/b(6)

COLLECTION:

Clinton Presidential Records
Tape Restoration Project [Email]
CEA (Robert Z. Lawrence)
OA/Box Number: 950000

FOLDER TITLE:

[03/02/1999 - 07/30/199]

2014-0316-F
wr10771

RESTRICTION CODES**Presidential Records Act - [44 U.S.C. 2204(a)]**

- P1 National Security Classified Information [(a)(1) of the PRA]
- P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
- P3 Release would violate a Federal statute [(a)(3) of the PRA]
- P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
- P5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA]
- P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).

RR. Document will be reviewed upon request.

Freedom of Information Act - [5 U.S.C. 552(b)]

- b(1) National security classified information [(b)(1) of the FOIA]
- b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
- b(3) Release would violate a Federal statute [(b)(3) of the FOIA]
- b(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
- b(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
- b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
- b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
- b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

Withdrawal/Redaction Marker

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RECORD TYPE: PRESIDENTIAL (TRP NOTES MAIL)

CREATOR: ssbhalla (ssbhalla <ssbhalla@vsnl.com> [UNKNOWN])

CREATION DATE/TIME:10-APR-1999 14:03:31.00

SUBJECT: Italian Wine, Indian Spirit - and the Rupee

TO: Robert Z. Lawrence (CN=Robert Z. Lawrence/OU=CEA/O=EOP [CEA])

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TO: udas (udas@imf.org [UNKNOWN])
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TO: vr_khosla (vr_khosla@hotmail.com [UNKNOWN])
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TEXT:
What is going to happen on the Indian political scene ? What is going to
happen to the rupee ? Where does Italy come in ? Read and find out.

Italian Wine, Indian Spirit - and the Rupee

By Surjit S. Bhalla

April 10, 1999

(For publication in Economic Times, April 13, 1999)

It is funny time again - a season when politicians seek to remind mere mortals that they are the rulers, and that they have a role to play - besides breaking chairs, necks, relationships, looting the exchequer, and otherwise making a nuisance of themselves. The latest example - the proverbial fat lady sang! Dr. J Jayalalitha, the mercurial, (and too clever by half?) leader of the AIADMK, broke off her relationship.

The divorce of Dr. JJ and the BJP was not unexpected - Ms. Jayalalitha had been flirting with the idea since Day 1. Many wondered as to why the BJP was not calling her bluff, and why when asked to jump, the BJP repeatedly asked

"how high?" Or when asked to walk, the BJP shamelessly preferred crawling. All for the sake of keeping the coalition partner happy, and keeping glued to power. Such servility ends in only one of two ways - either the jumping/crawling person loses his legs, or he stands up and tells the tormentor to go fly a kite. The BJP, finally and thankfully, has chosen the only responsible course left, and has learnt to play poker - it has called Dr. JJ's bluff and said "Enough - and No More".

Various realignments are possible. Two outcomes: the BJP is able to pass a vote of no confidence, or the Congress leads a rag-tag group. The latter is considered unlikely because the Congress leadership is not that stupid - leading a new coalition, with Dr. JJ as a major ally, is not learning from history. But the last few years in the wilderness for the Congress party is a record i.e. at no other time in India's history has the Congress been out of power for three consecutive years. The party is lusting for power, and in such situations, lesser mortals have been known to lose their senses. So one should not be surprised if the Congress takes the bait.

The present political uncertainty is likely to result in a greater political certainty in the very near future. It is also likely that the BJP will survive the confidence vote scheduled for next week. However, the chances of a general election in the fall (around October '99) have considerably gone up. And the "certainty" is in the continuity of economic reform policies,

and the continuing irrelevance of Indian politicians - a la Italy.

The good news is in the fact that the Indian economy, and policy making, is maturing - and there is unanimity in economic views between the BJP and the Congress. Both parties are for the patent bill, insurance deregulation, privatization, decreasing the fiscal deficit, controlling inflation, and "economic motherhood". Not only are they in agreement with the goals, they are also in agreement with the methods, i.e. relying on the increasingly technocratic bureaucrats in the Ministry of Finance, the Reserve Bank of India, the PMO, Planning Commission, etc. The show will go on - regardless of the party in power.

Thus, India will increasingly look like Italy - with or without Sonia Gandhi as PM. Before Euroland, Italy changed political leadership about as often as people changed their underwear. This political uncertainty had a zero impact on the Italian economy and markets. If there had been any long lasting effect, only Italian designers would now be left, and Italy would not have the reputation as one of the best performing European economies. And one of the best performing stock markets (outside of the US, of course). India, Italian style - the markets learn to ignore the politicians, and concentrate on economic fundamentals. And the fundamentals look extremely good for inflation and interest rate declines, a 7 percent economic growth rate, and a further 20 percent appreciation in the stock market.

The Political Rupee: With uncanny predictability, political uncertainty in India is associated with interest groups (inefficient industrialists) clamoring for a depreciation. Sometimes these demands are coincident with an over-valuation of the rupee. Today, that crutch is not available to our dinosaur industrialists.

What about the need to spur export growth? What about it? Export growth is an important consideration, and for very long the Indian authorities neglected the role of relative prices in determining output. But India missed the undervalued currency motor-boat in the sixties, seventies and eighties. This art was well practiced by the East Asian economies, and most notably by China, which depreciated its currency in real terms by over 400 percent between 1978 and end 1993. Now, even if India wants to, it cannot really undervalue the currency, though it can over-value it. This is because of the role of capital flows in "forcing" currency adjustments. If, for example, the Indian authorities were to devalue the rupee when the fundamentals do not demand it (as at present), then there is likely to be a net inflow of dollars which will cause the rupee to appreciate. What can negate this inflow is higher inflation - but if higher inflation is the result of devaluation, then what is the contribution of the devaluation?

Estimates of purchasing power parity (PPP) over-valuation of the rupee using bi-lateral (with US) inflation differentials, and PPP+ estimates (PPP

adjusted for relative productivity growth) are presented in the Table. No matter which inflation measure, or which base year is used, the PPP calculations suggest that the rupee is undervalued with respect to the US dollar. The PPP+ measures suggest a slight, but insignificant, over-valuation.

The major problem with the Indian economy has been its overly controlled capital market, and sky high real interest rates; and not the shenanigans of neanderthal politicians (Indian specialty over the last fifty years - the names change, the backwardness does not). A decline in real interest rates, which is finally occurring, and has further to go, will help bolster the economy, and will induce more capital flows into India (both portfolio and foreign direct investment). These flows will put pressure on the rupee to appreciate, and any forced devaluation will come asunder.

If such pressure is to be averted, the authorities should consider opening up the capital account. In conclusion, no matter what the criteria, or the source, there is zero basis for arguing that the rupee should depreciate.

If
sops have to be given to inefficient industrialists, they should be told to make money the old fashioned way - by earning it.

Table 1 - Is the Rupee Over-Valued? - NO

Using Different "Equilibrium" Base

Years

1991 1992 1993 1994

1995 1996

PPP Over-valuation (%)

Using WPI -26.7 -21.5 -7.8 -12.9

-15.9 -9.7

Using CPI -14.9 -10.1 3.3 -1.0

-4.4 -1.7

PPP+ Over-Valuation(%)

Using WPI -11.7 -7.1 4.9 0.5

-2.2 3.3

Using CPI -1.3 2.9 14.8 11.0 7.9

10.3

Source: O[x]us Research & Investments Database.

Notes:

1. PPP+ represents (relative) productivity adjustments to purchasing power parity (PPP), or inflation-adjusted exchange rates (vis-?-vis the US).
2. Negative over-valuation means that the rupee would have a tendency to appreciate if it was market determined.

The author is Director, Oxus Fund Management, a New Delhi based emerging

markets advisory and asset management firm.

RECORD TYPE: PRESIDENTIAL (TRP NOTES MAIL)

CREATOR: John.Kitchen (John.Kitchen@do.treas.gov [UNKNOWN])

CREATION DATE/TIME: 5-MAY-1999 16:37:41.00

SUBJECT: New population forecast -Reply

TO: ccox (ccox@doc.gov [UNKNOWN])

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TO: Douglas A. Norwood (CN=Douglas A. Norwood/OU=OMB/O=EOP [OMB])

READ:UNKNOWN

TO: Joseph J. Minarik (CN=Joseph J. Minarik/OU=OMB/O=EOP [OMB])

READ:UNKNOWN

TO: Justine F. Rodriguez (CN=Justine F. Rodriguez/OU=OMB/O=EOP [OMB])

READ:UNKNOWN

TO: Mark A. Wasserman (CN=Mark A. Wasserman/OU=OMB/O=EOP [OMB])

READ:UNKNOWN

TO: Mary A. Thomas (CN=Mary A. Thomas/OU=CEA/O=EOP [CEA])

READ:UNKNOWN

TO: Patrick G. Locke (CN=Patrick G. Locke/OU=OMB/O=EOP [OMB])

READ:UNKNOWN

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

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TO: Robert B. Anderson (CN=Robert B. Anderson/OU=OMB/O=EOP [OMB])

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TO: Robert Z. Lawrence (CN=Robert Z. Lawrence/OU=CEA/O=EOP [CEA])

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TO: Robert.Cumby (Robert.Cumby@do.treas.gov [UNKNOWN])
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TEXT:
Date: 05/05/1999 12:35 pm (Wednesday)

From: John Kitchen

To: Dom13.DOPO7(CUMBYR, HENDERSHOTK, PLATTJ, RUDDJ, WILCOXD),

ex.mail("Steven_N._Braun@cea.eop.gov", "ccox@doc.gov",
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"joel.platt", "John.kitchen", "Joseph_J._Minarik@omb.eop.gov",
"Justine_F._Rodriguez@omb.eop.gov", "Karen.hendershot",
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"Mary_A._Thomas@cea.eop.gov", "Patrick_G._Locke@omb.eop.gov",
"Rebecca_M._Blank@cea.eop.gov", "robert.cumby",
"Robert_B._Anderson@omb.eop.gov",
"Robert_Z._Lawrence@cea.eop.gov")

Subject: New population forecast -Reply

Do you have any feel for the mix? That is, is there any reason to think that the higher growth is occurring in groups that would have a higher or lower participation rate than the average for the previous population growth? At some point this may be a third decimal place issue and not really be that important, but I don't know the relative magnitudes right off hand.

RECORD TYPE: PRESIDENTIAL (TRP NOTES MAIL)

CREATOR: Marsha Moke (Marsha Moke <mmoke@ustr.gov> [UNKNOWN])

CREATION DATE/TIME:30-JUL-1999 22:42:03.00

SUBJECT: Re: For Clearance: Steel Action Plan Draft 9- Comments back by 2:00 FridayPlease

TO: andrew_stephens (andrew_stephens@ita.doc.gov [UNKNOWN])

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TO: bialosjp (bialosjp@state.gov [UNKNOWN])

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TO: Charles.stark (Charles.stark@usdoj.gov [UNKNOWN])

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TO: Carlos E. Pascual (CN=Carlos E. Pascual/OU=NSC/O=EOP [NSC])

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TO: Carolyn T. Wu (CN=Carolyn T. Wu/OU=WHO/O=EOP [WHO])

READ:UNKNOWN

TO: Charles M. Brain (CN=Charles M. Brain/OU=WHO/O=EOP [WHO])

READ:UNKNOWN

TO: Dario J. Gomez (CN=Dario J. Gomez/OU=WHO/O=EOP [WHO])

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TO: Joshua Gotbaum (CN=Joshua Gotbaum/OU=OMB/O=EOP [OMB])

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TO: Karen Tramontano (CN=Karen Tramontano/OU=WHO/O=EOP [WHO])

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TO: Lael Brainard (CN=Lael Brainard/OU=OPD/O=EOP [OPD])

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TO: Malcolm R. Lee (CN=Malcolm R. Lee/OU=OPD/O=EOP [OPD])

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TO: Melissa G. Green (CN=Melissa G. Green/OU=OPD/O=EOP [OPD])

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TO: Miles M. Lackey (CN=Miles M. Lackey/OU=NSC/O=EOP [NSC])

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TO: Robert Z. Lawrence (CN=Robert Z. Lawrence/OU=CEA/O=EOP [CEA])

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TO: Sharon H. Yuan (CN=Sharon H. Yuan/OU=OPD/O=EOP [OPD])

READ:UNKNOWN

TO: Tracey E. Thornton (CN=Tracey E. Thornton/OU=WHO/O=EOP [WHO])
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TO: Victoria A. Greenfield (CN=Victoria A. Greenfield/OU=CEA/O=EOP [CEA])
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TO: FREIBERG_KEN (FREIBERG_KEN@ustr.gov [UNKNOWN])
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TO: Meg.Lundsager (meg.lundsager@do.treas.gov [UNKNOWN])
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TO: n (n@ustr.gov [UNKNOWN])
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TO: NOVICK_ROBERT (NOVICK_ROBERT@ustr.gov [UNKNOWN])
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TO: Richard M. Saunders (Richard M. Saunders@OVP [UNKNOWN])
READ:UNKNOWN

TO: SAMET-ANDREW (samet-andrew@dol.gov [UNKNOWN])
READ:UNKNOWN

TEXT:
Sorry for the delay in providing comments. I was unable to reach

Gordana until now.

1. the language on Japan is fine (1.a.)
2. Regarding Russia (1.d.), as far as we know they are planning to attend the November OECD steel meeting.
3. Regarding the ITC study (5): I think the first para is what Alan

wanted to steer clear of. Gordana did not see a problem with the new language. However, she thought that we might want to discuss (in general) with the ITC to see if this is doable. If the study needs to be whittled down, we could have it focus on labor and the environment (pts 4&5). I sent comments on Alan's latest proposals in a separate email. Basically, options 1 & 3 are fine. We may need to be careful with point 2 to ensure that we are not helping the steel industry at the expense of other industries (i.e. wood).

4. Becker proposal (13). The OECD steel committee is not the appropriate forum to conduct this study. Presumably, if we were to adopt Wolf's proposal currently bracketed in the text, it deals with labor standards and should take care of Becker's concerns. This appears to be something that Alan and the unions support.

Alternatively, as I mentioned in a previous email, we could have the OECD Labor Cmt study on labor and trade (which is currently being updated) referred to the steel committee for review. In any event, the OECD steel committee is not the place for this study to be undertaken.

5. I need to float Becker's proposal in #14 by a few people here.

While I doubt we would have a problem, I need to find out if this would somehow constitute a subsidy.

That's all for now.

Marsha

>>> <Malcolm_R._Lee@oa.eop.gov> 07/29/99 08:55PM >>>

(See attached file: steelplan9.doc)

Here is the latest draft of the steel action plan for clearance.

Current

target date for rollout is August 5. The draft has NOT been shared with anyone outside the government. Revisions are italicized. New proposals/requests by steelworkers and industry proposal on ITC study are identified for comment or clearance. Please shoot me comments by 2:00 Friday by e-mail or fax (6-9290).

After Friday, please cc: any steel-related communications to Lael Brainard's confidential assistant Sharon Yuan as well, as I will be on leave.

>>> <Malcolm_R._Lee@oa.eop.gov> 07/29/99 08:55PM >>>

(See attached file: steelplan9.doc)

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