

\$130
BRINKLEY
BRIEFING MAT.

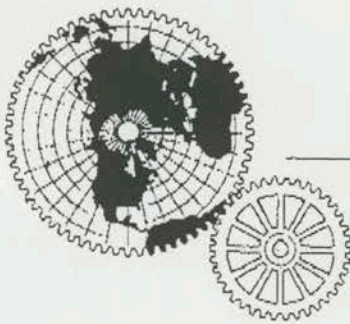
Dennis updating
• Campaign finance
• Travel gate
• Supreme Court

Kena updating
tax

David
gave you eco. update

Texas call —
key problems

IANI GUINIER



POLYCONOMICS, INC.

Political and Economic Communications

June 4, 1993

MEMO To: Walt Riker
 From: Jude Wanniski
 Re: 'Meet the Press'

Dole has an enormous opportunity to absolutely thrill the African-American community, including the Black Caucus, by the way he handles Lani Grinier. Instead of blasting her prescriptions, he should be sympathizing with her diagnosis. It is a fact that the black political leadership in the United States has been trapped in the Democratic coalition, which is dominated by white political leaders who decide what is best for their black constituents. He should mention, for example, that Charlie Rangel has been trying for 12 years to get enterprise zones for the inner cities -- working with Jack Kemp -- but after the pie is divided at the main table, what's left for the Black Caucus is what the Democratic leadership decides. The solution may be for some entrepreneurial black leaders like Rangel to work out an economic compromise with the Republicans. It's about time. Dole should say it should not be necessary to adjust the mechanisms of our democracy to give more weight to black power. The problem should be solved by competition. If Dole holds out his hand at this critical moment, he will cause no end of excitement in black America, and he will have the ordinary people of the country blessing him as well. I'll be home Saturday afternoon and evening if you'd like to kick this around further. Again, my home number is (201) 285-5222. I'm also faxing an ad I wrote that will run in a few New Jersey papers regarding the Tuesday election in New Jersey, which I discussed with the Senator at our lunch. He'll be interested in it, I think.

GUINIER NOMINATION--June 4

- * I am pleased that President Clinton has vindicated those of us, including many moderate Democrats, who had expressed concerns about the radical views of Ms. Guinier. After finally reading some of Ms. Guinier's law review articles, the President echoed what we had been saying all along--that her views on quotas and the Voting Rights Act are way out-of-the-mainstream.
- * In fact, the President himself said he would not have nominated Ms. Guinier if he had first read the articles. So, there's been no distortion of her written record.
- * The President now has an opportunity to select a nominee around which all Americans can rally--someone who is a vigorous advocate of equal opportunity, not guaranteed equal results.
- * Our nation's top civil rights enforcer should be someone who seeks to heal America's racial wounds, not someone who views every problem in America through a racial or ethnic prism. America is not the Balkans.
- * The President should select his new nominee carefully, and he should not allow the Washington civil rights lobby to exercise a veto over the selection process.
- * I wish Ms. Guinier the very best as she resumes her teaching career at the University of Pennsylvania Law School.

Bob Dole

NEWS

U.S. SENATOR FOR KANSAS

FROM:

SENATE REPUBLICAN LEADER



FOR IMMEDIATE RELEASE
MAY 20, 1993

CONTACT: WALT RIKER
(202) 224-5358

GUINIER NOMINATION

Washington -- Senate Republican Leader Bob Dole today made the following remarks on the Senate floor relating to the nomination of Lani Guinier to head the Justice Department's Civil Rights Division:

If President Clinton is looking for some interesting bedtime reading, he should look no further than the law review articles of Lani Guinier, his nominee to head the Justice Department's civil rights division.

These articles are an eye-opener, and I find it hard to believe that a "new democrat" like President Clinton would have nominated Ms. Guinier if he had known about her "far left" views.

If nothing else, Ms. Guinier has been consistent in her writings--consistently hostile to the principle of "one person-one vote," consistently hostile to majority rule, and a consistent supporter not only of quotas, but of vote-rigging schemes that make quotas look mild.

If Ms. Guinier were simply an academic, writing for academic journals, I would not be concerned. But President Clinton has nominated Ms. Guinier to be the top federal official in charge of enforcing our nation's civil rights laws, including the Voting Rights Act. Her views will count.

I have a longstanding interest in the Voting Rights Act, having helped broker the compromise in 1982 that led to the Act's extension. I was specifically responsible for the so-called "Dole proviso," which states that section 2 of the Act does not "establish a right to have members of a protected class elected in numbers equal to their proportion in the population."

The purpose of the Voting Rights Act was then, as it is today, to guarantee non-discriminatory access to the political process for everyone, regardless of racial or ethnic background. The key concept has always been access, not proportionality...and certainly not quotas.

Apparently, this isn't good enough for Ms. Guinier, who argues that civil rights enforcement must be, and I quote: "a result-oriented inquiry in which roughly equal outcomes, not merely an apparently fair process, are the goal." She insists, and I quote again, "that simple-minded notions of majority rule or winner-take-all procedures...make statutorily-protected groups legislative losers," thus failing to "fulfill the Voting Rights Act promise for a fairer distribution of political power." To get around these "simple-minded" notions, Ms. Guinier advocates mind-bending cumulative-voting schemes and even giving minorities a legislative veto over "crucial minority issues."

These are prescriptions not for equal opportunity, but for equal results and guaranteed legislative outcomes--the very principles rejected by the original drafters of the Voting Rights Act and by those, like myself, who fought hard for the Act's reauthorization.

Perhaps most troubling is Ms. Guinier's views on who is, and who isn't, properly "black." In one of her articles, she makes the point that black legislators are "authentic representatives" of their race only if they "are politically, psychologically, and culturally black." Although I can't say I fully understand what Ms. Guinier meant by these words, I suspect that black conservatives like Supreme Court Justice Clarence Thomas and Congressman Gary Franks would flunk the Guinier authenticity test.

(MORE)

I have never met, nor have I ever spoken to, Ms. Guinier. We have never exchanged correspondence. I have every reason to believe she is a fine person, and perhaps even a good teacher.

But Ms. Guinier's views, if I understand them properly, redefine the meaning of the term "out-of-the-mainstream." In fact, her views are not only out of the American mainstream, but out of the mainstream of the Democrat party.

I never thought I would see the day when a nominee for the top civil rights post at Justice would argue, not that quotas go too far, but rather that they don't go far enough.

I'll try to keep an open mind on Ms. Guinier's nomination, but if she intended to be provocative with her academic writings, she has succeeded.

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6210-615

May 27, 1993

SUMMARY OF THE HOUSE RECONCILIATION BILL

5-Year Totals

Deficit Reduction	\$336.8 billion
Tax Increases	\$275.5 billion
Spending Cuts	\$45.8 billion
User Fees	\$15.5 billion

[See attached chart for year-by-year totals]

HOUSE VOTE ON FINAL PASSAGE

	YEA	NAY	PRES	NV
DEMOCRAT	218	38		
REPUBLICAN	0	175		1
INDEPENDENT	1			
TOTALS	219	213		1

- O THE DEMOCRATS HAVE LARGE MAJORITIES IN BOTH HOUSES OF CONGRESS. IN THE HOUSE, THERE ARE EIGHTY-FIVE MORE DEMOCRATS THAN REPUBLICANS. THE ONLY REASON THURSDAY'S HOUSE VOTE WAS EVEN CLOSE WAS THAT BILL CLINTON HAD A HARD TIME CONVINCING ENOUGH DEMOCRATS TO SUPPORT HIS RECORD-BREAKING TAX INCREASE.
- O EVEN AFTER THE WHITE HOUSE PULLED OUT ALL THE STOPS, 38 HOUSE DEMOCRATS VOTED AGAINST THE CLINTON PLAN. I THINK BILL CLINTON IS GOING TO HAVE A DIFFICULT TIME GETTING HIS PLAN THROUGH THE SENATE WITHOUT MAJOR CHANGES.
- O THE TAX INCREASES IN THE HOUSE RECONCILIATION BILL ARE SLATED TO GO INTO EFFECT IMMEDIATELY. IN FACT, MOST ARE RETROACTIVE TO JANUARY 1ST. BUT ONLY 18 PERCENT OF THE SPENDING CUTS IN THE HOUSE BILL WOULD OCCUR BEFORE 1996.
- O ANYONE VOTING FOR THE HOUSE RECONCILIATION BILL IS VOTING FOR SIX DOLLARS AND THIRTY-FIVE CENTS IN TAX AND FEE INCREASES FOR EVERY DOLLAR OF SPENDING CUTS OVER THE NEXT FIVE YEARS.
- O MORE THAN \$33 BILLION OF THE SO-CALLED "CUTS" IN THIS BILL WOULD NOT BE CONSIDERED "CUTS" ANYWHERE BUT IN WASHINGTON, D.C. WHERE THE GOVERNMENT BUDGET PROCESS ALLOWS CONGRESS TO EXTEND CURRENT LAW AND COUNT THAT AS A SPENDING CUT. ONLY ABOUT 5 PERCENT OF THE DEFICIT REDUCTION IN THIS BILL -- \$18.5 BILLION -- COMES FROM REAL CUTS IN CURRENT PROGRAMS.
- O DISCRETIONARY SPENDING IS NOT PART OF THIS BILL. THE PRESIDENT'S PLAN CALLS FOR DISCRETIONARY SPENDING AT OR ABOVE THE LEGAL CAP IN 1994 AND 1995. AS A RESULT, WE WILL NOT SEE ANY NET DISCRETIONARY SPENDING CUTS UNTIL 1996.

- o \$ 47 BILLION IN DISCRETIONARY SPENDING CUTS, NONE BEFORE 1996
- o \$ 45.8 BILLION IN MANDATORY SPENDING CUTS (HOUSE BILL) ONLY \$ 6.2 B BEFORE 1996.

BASED ON THE HOUSE RECONCILIATION BILL WE ARE ONLY CUTTING SPENDING BY A TOTAL OF \$ 6.2 BILLION BEFORE 1996.

BRIEFING PAPER - MEDIA EVENT

I. EVENT: Btu Tax Press Conference

II. LOCATION: Travis County Farmers Market
6701 Burnet Road
Austin
512/454-1002

CONTACT: Hill Rylander 512/454-1002 (w);
512/477-7955 (h)

III. TIME/DATE: 10:40 - 11:10 AM
Saturday, May 29, 1993

IV. STAFF: Ed Hodges

V. DESCRIPTION OF EVENT:

10:40 AM U.S. Senator Phil Gramm and U.S. Senator Bob Dole will arrive curbside where they will be greeted by:

- Hill Rylander, Owner, Farmers Market
- E.E. Lightsey, Farmer from Mexia
- Federico Enriquez, Farmer from Weslaco
- George Green, Farmer from Gonzales
- Members of the press

10:41 AM Hill Rylander will take Senator Gramm and Senator Dole on a brief tour of the Farmers Market. Senator Gramm and Senator Dole will make two stops along the tour, one at a peach stand and the other to look at tomatoes.

10:47 AM Hill Rylander will escort Senator Gramm and Senator Dole to the area for the press conference.

10:48 AM Hill Rylander will step to the podium, welcome everyone to the Travis County Farmers Market, and then give some brief background information on the Farmers Market.

10:50 AM Hill Rylander will introduce E.E. Lightsey, a farmer from Mexia.

10:51 AM E.E. Lightsey will brief everyone on the negative effect that the proposed Btu tax would have on his farming business, agriculture across America, and the consumer.

10:53 AM Hill Rylander will introduce Senator Phil Gramm.

10:54 AM Senator Gramm will deliver remarks.

10:58 AM Senator Gramm will introduce Senator Bob Dole.

10:59 AM Senator Dole will deliver remarks.

11:03 AM Senator Gramm, Senator Dole, and Hill Rylander will take questions from the media at the podium.

11:10 AM Senator Gramm and Senator Dole will depart.

VI. **BACKGROUND:** Hill Rylander, the owner of the Travis County Farmers Market, is the husband of Carole Keeton Rylander, the former Mayor of Austin and GOP candidate for the Railroad Commission.

Farmers travel for hundreds of miles to sell their product at the Travis County Farmers Market, which is a produce outlet for 43 farming operations. Farmers from as far away as Weslaco in the Rio Grande Valley, Bryan, and Mason transport their produce to be sold to the general public. Everything from peaches, pears, onions, jams, and tomatoes can be purchased at the market.

Because of the travel distance to market, Bill Clinton's proposed Btu tax would devastate these farming operations. E.E. Lightsey, a farmer from Mexia, will describe how the Btu tax will drive him out of business during this event.

The Clinton Administration has proposed a tax on the heat content of fuels, measured in British thermal units (Btus). A tax rate of 25.7 cents per million Btus would apply to coal, diesel fuel, electricity, and home heating oil. However, for gasoline, diesel fuel and industrial fuel oil the tax rate would be more than doubled, to 59.9 cents per million Btus.

The Btu tax would be a major economic burden for many consumers. The Clinton Administration says that the tax will cost an average family about \$200 per year. But the actual cost is much higher, almost \$500 per year, according to independent economists. They point out that the higher cost includes the hidden tax paid when higher energy prices are passed on to consumers through price increases throughout the economy.

According to the National Association of Manufacturers, the Btu tax would cause the loss of 600,000 new jobs by 1998. The association also notes that the Btu tax would fail to reduce the annual federal budget deficit because federal spending will increase. Under Clinton's economic projections, even with the Btu tax, \$937 billion will be added to the federal deficit in the next four years.

The Btu tax conflicts with the stated economic goals of the Clinton Administration. It would reduce employment and long-term economic growth. By encouraging more imports of petroleum products, it

would make the U.S. more vulnerable to disruptions in energy supplies. By increasing production costs, it would harm the competitive position of American companies in the world marketplace.

VII. **THEME OF EVENT:** Senator Gramm and Senator Dole are visiting the Travis County Farmers Market to campaign for Kay Bailey Hutchison and to send a message that they will join forces in the U.S. Senate and fight against the Btu tax.

VIII. **SUGGESTED COMMENTS:**

- "With Bill Clinton's tax, BTU stands for Big Time Unemployment."
- "The Btu tax will cost the average household about \$500 per year."
- "The Btu tax would cause the loss of about 600,000 new jobs by 1998, according to the National Association of Manufacturers."
- "The Btu tax will cost Austin hundreds of jobs and Kay Bailey Hutchison, Bob Dole, and I will be a leading voice against this tax in the United States Senate."
- "Farmers from as far away as the Rio Grande Valley and Mexia bring their fresh produce to Austin to sell to the general public."
- "If Bill Clinton gets his Btu tax, the people of Austin will no longer be able to enjoy peaches from Fredricksburg and tomatoes from the Valley."
- "There are well over 60,000 college students in Austin. Most live on tight budgets. The Btu tax will raise the cost of everything they buy, including gasoline to drive to-and-from class. The cost of an education will skyrocket if Bill Clinton's Btu tax is passed."

IX. **POTENTIAL RISKS:**

- Any event with the liberal Austin media associates with it a risk. The media may say that the Republicans are causing gridlock by trying to stop Bill Clinton's programs.

May 25, 1993

Results from the latest CNN-USA Today-Gallup Poll

1,023 adults surveyed 5/21-23; margin of error +/- 3%

I. CLINTON JOB PERFORMANCE

	NOW	5/10-12	4/22-24	3/29-31	3/12-14
Approve	44%	45%	55%	52%	53%
Disapprove	46	44	37	37	34

II. CLINTON HANDLING OF... ECONOMY FOREIGN AFFAIRS

	NOW	4/24	3/31	NOW	4/24	3/31
Approve	35%	43%	49%	44%	53%	55%
Disapprove	59	50	42	43	34	30

III. THE WAY THINGS ARE GOING IN U.S.

	SATISFIED	DISSATISFIED
NOW	24%	73%
2/12-14	25	71
1/8-11	29	68
11/92	26	68
6/92	14	84

IV. CLINTON'S ECONOMIC PLAN V. CONGRESS SHOULD PASS CLINTON PLAN

	SUPPORT	OPPOSE		NOW	2/28
NOW	44%	45%	As proposed	23%	35%
4/22/24	55	39	With major changes	42	46
3/22-24	55	34	Reject it	26	14
2/26-28	59	29			
2/17	79	16			

VI. PROPOSAL TO CHANGE CLINTON PLAN (KILL ENERGY TAX, CUT SS, MEDICARE, ETC.)

Favor 22% Oppose 72%

BTU ENERGY TAX

SUGGESTED TALKING POINTS

May 27, 1993

TAX PROVISIONS IN THE HOUSE RECONCILIATION BILL

BTU TAX/EXPORTS

- THEY ARE STILL TRYING TO CONVINCE MANY TO BUY IN ON THE ENERGY TAX. WHAT THEY'RE FLOATING NOW IS AN EXPORT REBATE OR EXPORT CREDIT TO COMPENSATE INDUSTRIES WHICH ARE MADE LESS COMPETITIVE BY THE TAX. NO ONE HAS THE DETAILS YET.
- RIGHT NOW, AMERICAN AGRICULTURE AND FOOD PROCESSING ARE EXTREMELY COMPETITIVE WITH FOREIGN PRODUCERS. WE ARE AVERAGING MORE THAN \$40 BILLION A YEAR IN FOOD AND FIBER EXPORTS AND EARNING AN ANNUAL TRADE SURPLUS OF MORE THAN \$20 BILLION IN THESE PRODUCTS.
- IS A BTU TAX GOING WEIGH DOWN ONE OF OUR MOST COMPETITIVE SECTORS AND ADD TO OUR TRADE DEFICIT?
- HAS USTR KANTOR EXAMINED THESE EXPORT PROPOSALS TO SEE IF THEY ARE CONSISTENT WITH INTERNATIONAL TRADE OBLIGATIONS?
- IF THEY ARE NOT CONSISTENT, WE CAN EXPECT TRADING PARTNERS TO RETALIATE, FURTHER DAMAGING OUR EXPORTERS WHO HAVE ACCOUNTED FOR THE LION'S SHARE OF ECONOMIC GROWTH IN THE UNITED STATES IN THE PAST SEVERAL YEARS.
- THEN THERE'S ALL THE CHANGES -- I'M NOT SURE WE REALLY KNOW HOW THE TAX IS GOING TO WORK. IN ITS ORIGINAL PROPOSAL, THE ADMINISTRATION PROPOSED TO TAX ETHANOL AND METHANOL. THE ADMINISTRATION LATER MODIFIED ITS PROPOSAL TO EXEMPT ETHANOL AND METHANOL. WAYS AND MEANS PUT ETHANOL AND METHANOL BACK IN -- THEY WILL BE TAXED.
- NO DOUBT THAT ON THE SENATE SIDE -- SEVERAL MEMBERS WILL BE SEEKING TO REINSTATE THE EXEMPTION. THAT WOULD ONLY BE ONE EXEMPTION. WE ARE LIKELY TO FIND MORE THAN THE HOUSE 14 EXEMPTIONS TO THE ENERGY TAX. HOW TO PAY FOR THEM WILL BECOME A BIG PROBLEM.

CORPORATE RATE

- THE HOUSE INCREASED THE CORPORATE RATE BY 1 PERCENT -- THE PRESIDENT HAD A 2 PERCENT INCREASE. I CAN SEE THE RATE GOING BACK UP IF ONLY TO PAY FOR ENERGY TAX EXEMPTIONS AIMED AT GETTING DEMOCRAT MEMBERS ON BOARD.

INDIVIDUAL RATE

- AT THE REQUEST OF THE TREASURY DEPARTMENT, THE COMMITTEE RAISED \$1.6 BILLION BY REACHING A BIT LOWER ON THE INCOME

SCALE. IT DID THIS BY DELAYING FOR ONE YEAR THE INFLATION INDEXING FOR INDIVIDUALS NEAR THE TOP THRESHOLDS.

- IT'S BAD ENOUGH THAT THE MARRIAGE PENALTY IS SO GREAT, IT'S BAD ENOUGH THAT INDIVIDUALS WILL BE TAXED GREATER THAN CORPORATIONS -- NOW WE'RE FACED WITH THE RETURN OF "BRACKET CREEP."
- WHEN YOU ADD IT ALL UP, THE HIGHER RATE, THE SURTAX THE PHASE OUT OF DEDUCTIONS, AMERICANS ARE FACED WITH A RATE AT SOME 44%. NO DOUBT FOUR YEARS FROM NOW WE'LL BE LOOKING TO START ANOTHER TAX REFORM MOVEMENT.
- AND DON'T FORGET, THESE TAX INCREASES STARTED LAST JANUARY. YOU'VE BEEN PAYING THE HIGHER TAX EVEN THOUGH CONGRESS HASN'T PASSED A LAW.
- SO IF YOU THOUGHT YOU ESCAPED, TAKE ANOTHER LOOK.

BARGE TAX

- THE BARGE AND TOWING INDUSTRY TRANSPORTS 15 PERCENT OF ALL THE NATION'S FREIGHT; OVER HALF OF ALL EXPORT GRAIN; 20 PERCENT OF COAL AND OVER 30 PERCENT OF THE NATIONS PETROLEUM PRODUCTS.
- WITH ALL THE TALK ABOUT REVITALIZING THE ECONOMY, IT'S PUZZLING THAT THE DEMOCRATS WANT TO IMPOSE A HEAVY INCREASE IN FUEL TAXES PAID BY COMMERCIAL VESSELS USING OUR WATERWAYS.
- THE PRESIDENT HAD PROPOSED A 500 PERCENT INCREASE; THE COMMITTEE HAS REPORTED A 250 PERCENT.
- CLEARLY, THE BARGE TAX WILL HAVE SEVERE REPERCUSSIONS THROUGHOUT ALL THE INDUSTRIES THAT ARE DEPENDENT UPON WATERBORNE TRANSPORTATION.

SOCIAL SECURITY BENEFITS

- CURRENT LAW PROVIDES THAT ONLY 50 PERCENT OF YOUR SOCIAL SECURITY BENEFITS ARE TAXED AND THAT THE TAXES BE PLACED IN THE SOCIAL SECURITY TRUST FUND TO ASSURE THE SOUNDNESS OF THE FUND.
- THE CLINTON PLAN INCREASED THE TAXABLE PORTION TO 85%. THE HOUSE ACCEPTED THE TAX INCREASE AND WENT EVEN FURTHER.
- THE TAX WILL BE TRANSFERRED TO THE GENERAL FUND IT WILL NOT BE PLACED IN THE SOCIAL SECURITY TRUST FUND. THIS IS SO THAT THE NEW SPENDING PROPOSALS HAVE ENOUGH FUNDING.

BTU TAX TALKING POINTS

AMERICAN ECONOMY IS DRIVEN BY ENERGY

THE ECONOMY IS NOT GROWING AS FAST AS WE HOPED

SIX NUMBERS MEASURING THE ENERGY SECTOR OF THE ECONOMY HELP POINT OUT WHY:

OUR NATION'S MERCHANDISE TRADE DEFICIT IS THE WORST IN FOUR YEARS

OVER HALF OF THE TRADE DEFICIT IS DUE TO OIL -- NOT TOYOTAS, NOT TELEVISIONS OR CAMERAS -- BUT OIL

OIL IMPORTS IN THE FIRST THREE MONTHS OF 1993 WERE 6.2% HIGHER THAN THE SAME PERIOD JUST A YEAR EARLIER.

IN THE FIRST FOUR MONTHS OF THIS YEAR, OIL PRODUCTION IN THE UNITED STATES FELL BELOW 7 MILLION BARRELS PER DAY -- THE WORST SINCE 1960.

OVER ONE HALF OF THE JOBS IN THE OIL INDUSTRY HAVE BEEN LOST IN THE PAST TEN YEARS -- 477,000.

FINALLY, AS YOU ALL KNOW, THE ACTIVE RIG COUNT IS THE LOWEST LEVEL IN HISTORY.

THINGS ARE BAD IN THE OILPATCH, AND WE NEED TO DO SOMETHING TO ENCOURAGE MORE DOMESTIC PRODUCTION TO LOWER OUR TRADE DEFICIT, INCREASE EMPLOYMENT AND STIMULATE OUR ENERGY-DRIVEN ECONOMY.

WHAT THE PRESIDENT HAS PROPOSED TO ACCOMPLISH THIS IS HIS ENERGY TAX OR THE SO-CALLED "BTU" TAX.

THERE IS NOT ONE CASE IN HISTORY WHERE GOVERNMENT HELPED REINVIGORATE A STRUGGLING INDUSTRY BY INCREASING ITS TAXES.

THE BTU TAX WILL INCREASE THE TRADE DEFICIT, INCREASE UNEMPLOYMENT AND STALL THE ECONOMIC RECOVERY.



Media Release

Richard G. Lugar

United States Senator for Indiana

Contact: Press Office 202/224-7438



LUGAR RALLIES SUPPORT OF FAMILY FARMERS AGAINST CLINTON CUTS, TAX Senator to Offer Alternative Reconciliation Package Against Cuts

May 26, 1993

Contact: Kevin Shaw Kellems 202-224-8370; -224-7438

Chuck Conner 202-224-6901

WASHINGTON--Congress should reject cuts in farm income supports because of the large tax increases proposed by the Clinton Administration on American agriculture, Sen. Richard G. Lugar said today.

Lugar (R-IN) vowed to offer an alternative budget reconciliation package for agriculture in the Senate Agriculture Committee.

Lugar, the ranking member of the Senate Agriculture Committee, asked Democrats and Republicans in the House and Senate to save family farms on the financial brink by opposing the administration's \$3 billion cut in farm price supports.

Lugar urged House members facing tomorrow's vote on the Clinton tax plan to consider the dual impact of a new energy tax and significant cuts in USDA crop payments to farmers. "I cannot imagine how members of Congress dedicated to the preservation of struggling family farmers could think about voting for a combination of higher taxes on farmers and lower support payments.

"I intend to give Senators in the committee or on the Senate floor the opportunity and responsibility to vote up or down on family farm income."

Lugar said Congress should reject the entire Clinton proposal because it relies too heavily on tax increases. "But if Congress and the Administration are bound and determined to raise these taxes," Lugar said, "they certainly should not compound the injury by making further cuts in farm income programs."

Lugar said the BTU tax could raise farm costs by up to \$1 billion a year. Other taxes would also hurt agriculture, including a 250 percent hike in taxes on fuel used to transport grain down the Mississippi River.

"The proposed BTU energy tax will be particularly devastating in rural areas where people have to drive longer distances and where energy-intensive industries like agriculture are among the primary employers. All this means higher production costs, a less competitive product in world markets, and lower net farm income," Lugar said. He added that several studies by independent groups like the Food and Agricultural Policy Research Institute have concluded that the Administration's proposals will devastate net farm income.

news from

Senator Jack Danforth

— Missouri

For Immediate Release
May 27, 1993

Contact: Steve Hilton
202-224-6154

DANFORTH WARNS THAT ADMINISTRATION'S 'FIX' ON BTU TAX BREAKS TRADE AGREEMENTS, EXPOSES EXPORTS TO FOREIGN RETALIATION

U.S. Senator Jack Danforth (R-MO) said today the Clinton Administration is now admitting that its proposed BTU tax will hurt U.S. economic competitiveness.

Danforth warned that proposals to modify the BTU tax with refunds on U.S. exports and new fees on imports will violate international trade agreements and expose American products to retaliation around the world.

Danforth is the senior Republican member of the Senate International Trade Subcommittee and a principal author of many basic U.S. trade statutes. Danforth stated:

"It has been stated that the Administration will offset the anti-competitive effects of the BTU tax in the Senate by refunding the tax to U.S. exporters and by imposing new fees on imports of 'high-energy products.'

"This would be a stunning and harmful aboutface by the U.S. Such a system would be highly suspect under trade agreements. We have ruled in the past that such 'border adjustments' are illegal for other countries. In trade negotiations, our consistent position is that such systems are totally unacceptable.

"In subsidy cases, the U.S. Department of Commerce has ruled that rebating taxes on energy consumed in manufacturing is an export subsidy and a violation of the General Agreement on Tariffs and Trade. The GATT subsidy code permits rebates on taxes paid by manufacturers for their inputs only if such inputs are physically incorporated into the final product.

"Therefore, the BTU tax cannot be rebated on energy consumed in manufacturing. For example, the electricity used to produce an automobile is a manufacturing input. It is not physically incorporated into the finished product and, therefore, a tax on this electricity cannot be legally rebated.

"Julius Katz, formerly Deputy U.S. Trade Representative, has stated to me, 'My reading of the text (of the GATT subsidies code) is that a rebate or remissions of a BTU tax would be regarded as an export subsidy, unless the amount of that rebate was the tax actually paid on the prior stage goods physically incorporated in the exported product.'

"Carla Hills, formerly U.S. Trade Representative, has stated:

Although I have not seen the BTU application, I can say that a rebate of the BTU on the exportation of energy-containing goods could well be vulnerable to challenge as an export subsidy and subject to countervailing duties by our trading partners. We would then need to defend the measures in the GATT. This would involve a lengthy proceeding, a proceeding we might well lose. In the meantime, U.S. exporters could face many expensive

249 Russell Senate Office Building • Washington, D.C. 20510

countervailing duty actions in foreign markets that would tie up billions of dollars of our manufactured exports.' Undoubtedly, the Treasury Department has kept such fees and rebates out of its formal proposals for precisely this reason: the Administration is fully aware of the weakness and dangers inherent in this position.

"European countries may simply imitate our policy and impose import fees on 'energy intensive' U.S. goods, and rebate energy taxes paid by their businesses. If they do this, we will have no standing to complain. This would be very ironic in light of the Administration's frequent argument that European energy taxes are higher than ours, because Europe would be responding to our fees and rebates with even larger fees and rebates.

A summary of border adjustment of the BTU tax is attached.

HEALTH CARE

Summary of GOP Task Force Health Reform Proposal

Overview

- * Reforms laws in order to make health insurance more affordable.
- * Slows the rate of growth in health care costs.
- * Guarantees that individuals do not lose their health insurance coverage when they change or lose their jobs.
- * Helps provide health care coverage to families and individuals with low incomes.

Reforms

Encourages individuals and small businesses form purchasing cooperatives to give them more choice and the same negotiating power with insurance companies and health care providers that large companies currently enjoy.

Prohibits insurance companies from excluding individuals on the basis of health status, from charging higher premiums to people who are sick, and from refusing to provide coverage for pre-existing conditions.

Reforms medical liability laws to ensure that those who are harmed through negligence can be compensated, while discouraging frivolous lawsuits. Such reforms will also prevent unnecessary testing and procedures which drive up health care costs.

Allows individuals and the self-employed to deduct 100% of the cost of their health insurance premiums. Currently, only large businesses and their employees enjoy this tax benefit. Self-employed individuals can deduct only 25% and individuals cannot deduct costs unless they exceed 7.5 percent of their income.

Reforms anti-trust law so that doctors and hospitals can share expensive equipment rather than forcing every provider to have their own equipment. The cost of these purchases are passed on to patients.

Cuts administrative waste and bureaucratic red tape by eliminating paperwork. Eliminates fraud and abuse in the health care system by prohibiting physicians from referring patients to labs, pharmacies, and other health centers in which they own.

Provides special assistance to rural and inner-city areas to help them attract physicians to those areas and provide better quality care and more choice.

Provides subsidies to low-income individuals to help them purchase health insurance. The poorest would be included immediately, but subsidies for those over the poverty level will be phased-in.

Does not place the burden of health insurance coverage on small businesses which can cost jobs.

Provides limited assistance to the elderly for long-term care.

Allows Medicare beneficiaries to join purchasing cooperatives to get coverage of outpatient prescription drugs.

Financing - "Pay-as-you-go"

Coverage for lowest income individuals and families will be paid for by restructuring Medicaid payments to hospitals for low-income patients, and through a limited cap on the deductibility of employer-provided health benefits.

Coverage for higher income individuals and families who need assistance in purchasing health insurance will be phased-in over several years, and will be financed through reforms in federal entitlement programs. If these savings do not prove sufficient, Congress would be required to cut federal spending or raise new revenues before coverage goes into effect.

May 28, 1993

SUMMARY OF THE HOUSE RECONCILIATION BILL

5-Year Totals

Deficit Reduction	\$336.8 billion
Tax Increases	\$275.5 billion
Spending Cuts	\$45.8 billion
User Fees	\$15.5 billion

[See attached chart for year-by-year totals]

HOUSE VOTE ON FINAL PASSAGE

	YEA	NAY	PRES	NV
DEMOCRAT	218	38		
REPUBLICAN	0	175		1
INDEPENDENT	1			
TOTALS	219	213		1

- O THE DEMOCRATS HAVE LARGE MAJORITIES IN BOTH HOUSES OF CONGRESS. IN THE HOUSE, THERE ARE EIGHTY-FIVE MORE DEMOCRATS THAN REPUBLICANS. THE ONLY REASON THURSDAY'S HOUSE VOTE WAS EVEN CLOSE WAS THAT BILL CLINTON HAD A HARD TIME CONVINCING ENOUGH DEMOCRATS TO SUPPORT HIS RECORD-BREAKING TAX INCREASE. EVEN AFTER THE WHITE HOUSE PULLED OUT ALL THE STOPS, 38 HOUSE DEMOCRATS VOTED AGAINST THE CLINTON PLAN.
- O THE TAX INCREASES IN THE HOUSE RECONCILIATION BILL ARE SLATED TO GO INTO EFFECT IMMEDIATELY. IN FACT, MOST ARE RETROACTIVE TO JANUARY 1ST. BUT ONLY 18 PERCENT OF THE SPENDING CUTS IN THE HOUSE BILL WOULD OCCUR BEFORE 1996.
- O ANYONE VOTING FOR THE HOUSE RECONCILIATION BILL IS VOTING FOR SIX DOLLARS AND THIRTY-FIVE CENTS IN TAX AND FEE INCREASES FOR EVERY DOLLAR OF SPENDING CUTS OVER THE NEXT FIVE YEARS.
- O OVER THE NEXT TWO YEARS, THIS BILL WOULD RAISE \$12.77 IN TAXES AND FEES FOR EVERY DOLLAR OF SPENDING CUTS.
- O MORE THAN \$33 BILLION OF THE SO-CALLED "CUTS" IN THIS BILL WOULD NOT BE CONSIDERED "CUTS" ANYWHERE BUT IN WASHINGTON, D.C. WHERE THE GOVERNMENT BUDGET PROCESS ALLOWS CONGRESS TO EXTEND CURRENT LAW AND COUNT THAT AS A SPENDING CUT. ONLY ABOUT 5 PERCENT OF THE DEFICIT REDUCTION IN THIS BILL -- \$18.5 BILLION -- COMES FROM REAL CUTS IN CURRENT PROGRAMS.
- O DISCRETIONARY SPENDING IS NOT PART OF THIS BILL. THE PRESIDENT'S PLAN CALLS FOR DISCRETIONARY SPENDING AT OR ABOVE THE LEGAL CAP IN 1994 AND 1995. AS A RESULT, WE WILL NOT SEE ANY NET DISCRETIONARY SPENDING CUTS UNTIL 1996.

RECONCILIATION RATIOS

(HOUSE-REPORTED BILL, \$ BILLIONS)

	1994	1995	1996	1997	1998	1994-98
SPENDING REDUCTIONS.....	-1.7	-4.5	-9.1	-14.0	-16.6	-45.8
USER FEES.....	2.3	2.6	3.9	3.3	3.4	15.5
REVENUE INCREASES.....	32.7	41.6	54.8	73.8	72.6	275.5
RATIO OF TAXES AND USER FEES TO SPENDING CUTS	\$20.68 to 1	\$9.77 to 1	\$6.47 to 1	\$5.52 to 1	\$4.58 to 1	\$6.35 to 1

NOTE: BASED ON CBO/JCT ESTIMATES.

THE PRESIDENT'S PLAN CALLS FOR ONLY
\$6.2 BILLION IN SPENDING CUTS BEFORE 1996

- THE HOUSE RECONCILIATION BILL CALLS FOR \$45.8 BILLION IN MANDATORY SPENDING CUTS OVER 5 YEARS. BUT, ONLY \$6.2 BILLION IN CUTS WOULD OCCUR BEFORE FY 1996.
 - THE PRESIDENT'S PLAN CALLS FOR \$47 BILLION IN NET DISCRETIONARY SPENDING CUTS OVER 5 YEARS, BUT DISCRETIONARY SPENDING IS NOT PART OF THE RECONCILIATION BILL.
- EVEN IF IT WERE, THE PRESIDENT'S PLAN CALLS FOR DISCRETIONARY SPENDING AT OR ABOVE THE LEGAL CAPS IN 1994 AND 1995. THE BOTTOM LINE: \$0 IN DISCRETIONARY SPENDING CUTS BEFORE FY 1996.

IN PROGRESS: ROLL NO. 199 YEA-AND-NAY TIME REMAINING FINAL
AUTHOR(S):
ON PASSAGE

OMNIBUS BUDGET RECONCILIATION ACT OF 1993

	YEA	NAY	H R 2264 PRES	NOT VOTING
DEMOCRATIC	218	38		
REPUBLICAN		175		1
INDEPENDENT	1			
TOTALS	219	213		1

TIME REMAINING FINAL

N Andrews (NJ)
N Baesler
N Browder
~~N Chapman~~
N Clement
N Condit
N Coppersmith
N Danner
N Deal
N Edwards (TX)
~~N English (OK)~~
~~N Geren~~
~~N Hall (TX)~~
N Hayes
N Holden
N Johnson (SD)
N Klein
~~N Laughlin~~
N Lehman
N Lipinski
N Long
N Maloney
N Mann

N Margolies-Mezvinsky
N McHale
N Minge
N Orton
N Pallone
N Parker
N Pickett
N Roemer
N Rowland
~~N Sarpalius~~
~~N Skelton~~
N Swett
N Taylor (MS)
N Traficant
~~N Wilson~~

ROLL NO. 199

DEMOCRATIC - NAYS -

N	Baesler	Y	Hamburg	Y	Reynolds
Y	Barcia	Y	Harman	-	Romero-Barcelo (PR)
Y	Barlow	Y	Hastings	Y	Roybal-Allard
Y	Barrett (WI)	Y	Hilliard	Y	Rush
Y	Becerra	Y	Hinchey	Y	Schenk
Y	Bishop	N	Holden	Y	Scott
Y	Brown (FL)	Y	Inslee	Y	Shepherd
Y	Brown (OH)	Y	Johnson (GA)	Y	Strickland
Y	Byrne	Y	Johnson, E. B.	Y	Stupak
Y	Cantwell	N	Klein	Y	Tejeda
Y	Clyburn	Y	Klink	Y	Thompson
N	Coppersmith	Y	Kreidler	Y	Thurman
N	Danner	Y	Lambert	Y	Tucker
N	Deal	N	Maloney	-	Underwood (GU)
Y	Deutsch	N	Mann	Y	Velazquez
Y	English (AZ)	N	Margolies-Mezvinsky	Y	Watt
Y	Eshoo	N	McHale	Y	Woolsey
Y	Fields (LA)	Y	McKinney	Y	Wynn
Y	Filner	Y	Meehan		
Y	Fingerhut	Y	Meek		
	Furse	Y	Menendez		
Y	Green	N	Minge		
Y	Gutierrez	Y	Pomeroy		

ROLL NO. 199 1ST TERM MEMBERS -DEMOCRATIC - NAMES -

51-11

62 TOT

Taxes and Spending Over 5 Years Under the Budget Resolution

CBO/Joint Tax Estimates (In Billions of Dollars)

	Reconciliation Instructions	Appropriation Bills Over the Next 5 Years	Total
Revenues			
Increase	+336	-0-	+336
Decrease	-64	-0-	-64
Net Increase	+272	-0-	+272
User Fees			
	+16	+2	+18
Spending			
Increase	+26	+28	+54
Decrease	-81	-75	-156
Net Decrease	-55	-47	-102
Total	-343	-49	-392

Notes: The Budget Resolution does not include the stimulus package.

Interest Savings not shown.

TOTAL DEFICIT REDUCTION INCLUDING INTEREST:

Source: Senate Budget Committee, Minority Staff, May 19, 1993

\$440 BILLION

May 27, 1993

MEMORANDUM TO THE REPUBLICAN LEADER

FROM: David Taylor *David*

SUBJECT: Analysis of the \$223 Billion in Cuts Claimed by Supporters
of the Clinton Plan

These alleged spending cuts would reduce the deficit by a total of \$186 billion over 5 years. But, there are only \$102 billion in new spending cuts in the plan. The remainder of the deficit reduction comes from user fees -- \$18 billion -- and interest savings -- \$66 billion.

ANALYSIS OF SPENDING CUTS CLAIMED IN THE CLINTON ECONOMIC PLAN
(\$ in billions)

<u>What They Claim</u>	<u>Why It Is Wrong</u>	<u>Actual Cuts</u>
\$71 B Mandatory Cuts	1) Includes \$16 B in user fees	\$55 B
\$106 B Defense Cuts	1) Includes defense cuts already approved by Congress -- \$30 B	\$75 B
(\$19 B) Non-defense Discretionary Spending <u>Increase</u>	1) Includes \$2 B in user fees 2) Should be increased \$7 billion to reflect baseline differences	(\$28 B)
\$66 B in Interest	1) While interest savings will reduce the deficit, they should not be counted as spending cuts.	
TOTAL -- \$223 Billion		TOTAL -- \$102 Billion

May 28, 1993

THE WEEKLY ECONOMIC REPORT

Executive Summary

In the face of mounting opposition to his economic program -- now up to 45 percent, last night's reconciliation vote became a critical test for Bill Clinton. "The stakes for President Clinton are sky high.... Not only is his deficit reduction plan, the backbone of his agenda, on the line but so is his image -- the prestige of his presidency" (Bernard Shaw CNN, 5/26). The House vote was initially planned as a momentum-builder for the President's plan, but, in the end, it was a hard-fought test of Democrat loyalty to the President. Clinton called his narrow victory a triumph of "growth over gridlock."

Economic news remains mixed. While home and auto sales moved up in May, consumer confidence declined, and orders for durable goods remained flat. The Fed's willingness to lift the lid on short-term interest rates has temporarily eased fears of higher inflation, but a wider-than-expected March trade deficit, adds to concerns that actual first quarter growth may be lower than the Commerce Department projected earlier in the year (1.8 percent).

Recent Economic News

- o **Actual first quarter GDP growth was only 0.9 percent according to figures released today from the Commerce Department.** That is less than one-fifth the 4.7% rate in the fourth quarter of 1992 (5/28). The first quarter was the weakest since the fourth quarter of 1991.
- o This month, **consumer confidence** fell to its lowest level since before Bill Clinton's election. A weak job market, a worldwide recession, and concerns about the Clinton economic program contributed to the larger-than-expected decline (5/25).
- o The **U.S. merchandise trade deficit** widened from \$7.9 billion in February to \$10.2 billion in March, the largest trade gap in nearly 4 years (5/19).

- o In April, unemployment held steady at 7.0% for the third month in a row (5/7). The number of Americans filing initial unemployment claims remained unchanged last week (5/27), but the 4-week average of new claims did drop slightly.

Reactions from the White House and Capitol Hill

- o Speaker Foley said, "This is a responsible vote and members who vote for this bill will not suffer political fallout as a result" (5/27). Earlier in the week, he predicted, "I think the BTU tax is going to survive substantially as it is." (5/25)
- o Senator Mitchell said, "After this [Boren-Danforth] alternative and other alternatives are presented and rejected in the Finance Committee, I am confident that the President's plan will be adopted largely intact." (5/20)
- o Freshman Congressman David Mann (D-OH) said, "There is just a lack of trust that we will use any tax increase for deficit reduction.... Every place I go people say cut spending first, then cut some more, and then we'll talk about taxes." (5/25)

What the Experts Are Saying

- o The National Association of Business Economists asked 37 professional economists to estimate the cumulative 5-year deficit reduction that would "actually result" from the Clinton economic plan. The average forecast indicated that over 5 years the Clinton plan would cut the deficit by less than \$70 billion. Almost 25 percent of those questioned thought the Clinton plan would actually increase the deficit (5/26).
- o In a speech to the European parliament, European Commission President Jacques Delors said the European Community faces the worst economic slowdown since World War II (5/25).
- o CNN pollster Bill Schneider, said, "Apparently, the more people find out about the President's plan, the more they oppose it. No wonder it's in trouble in Congress." (5/24)

TRAVELGATE

May 28, 1993

WHITE HOUSE TRAVEL OFFICE

- * The so-called Travelgate affair is more than "amateur hour," even more than the appearance of political cronyism. It is about the integrity of our nation's fundamental institutions.
- * The American people deserve to have confidence in an FBI that makes its decisions free of political considerations. That's why it's so important for the Administration to come clean and get all the facts out on the table--the good, the bad, and the ugly ones.
- * We should all be concerned when high-level FBI officials are summoned to the White House to participate in "political strategy sessions." Politics and law enforcement do not, and should not, mix.
- * I have written to Senator Biden requesting a Judiciary Committee hearing. All the Republican Members of the Judiciary Committee have made a similar request. The House Republican Leadership (Michel, Gingrich, Armey, and Hyde) have written to Jack Brooks requesting that he schedule a House Judiciary Committee hearing no later than June 9.

"TRAVELGATE" CHRONOLOGY--draft

A. Political Cronyism

- * Monday, February 15: Catherine Cornelius, 25 year-old cousin of Bill Clinton, writes a memo to David Watkins, Director of the White House Office of Management, about "questionable practices" in the White House Travel Office. The memo complains that the Travel Office was "overly pro-press." It also suggests that Cornelius should be named co-director of the Travel Office. (New York Post, May 22)
- * Sometime in February: Darnell Martens, a business partner of Harry Thomason in Thomason, Richland & Martens, which coordinated the plane charter operation for the Clinton campaign, meets with Billy Dale, the head of the Travel Office. Martens asks Dale how the nine airline charter companies that had supplied planes for the Clinton campaign could bid on the White House business. Dale responds: "I have been here 31 years, and no one has seen fit to relocate me with commercial operations yet. So until they do, I will continue to handle this without your help." (Los Angeles Times, May 23)
- * Sometime In February: Thomason allegedly meets with President Clinton and says "You know, I think you have a problem. But I'm not going to bore you with all the details of it." (Los Angeles Times, May 23)
- * Monday, May 10: Thomason and Martens meet with Watkins to discuss the Travel Office. A memo by Martens which appeared to solicit charter business is faxed to the White House. (Washington Post, May 24)
- * Wednesday, May 12: Watkins meets with William Kennedy, associate general counsel and a former partner of Hillary Rodham Clinton and Webster Hubbell at the The Rose Law Firm. Kennedy reportedly recommends that Watkins hire outside auditors to review the Travel Office's records.
- * Thursday, May 13: Kennedy summons Frederick Verinder, deputy assistant director of the FBI, to the White House to propose that the FBI investigate the Travel Office. (Washington Post, May 24)

Questions:

1. Who authorized Kennedy to make the contact with the FBI?
2. How did Kennedy know who to contact at the FBI to arrange a meeting to discuss the White House Travel Office?
3. Who authorized Verinder to attend a White House meeting

convened by Kennedy? Was it Sessions?

- * Thursday, May 13: Watkins contacts Peat Marwick and asks them to conduct an "audit." (Washington Post, May 24)

Question:

1. How was it decided to have the Peat Marwick accounting firm audit the Travel Office, when was that decision made, and what relationship, if any, exists between the "audit" and Vice President Gore's national performance review?
- * Thursday, May 13: FBI agents deliver Travel Office data to Thomas Kubic, chief of the Justice Department's white collar crime section. (Safire, New York Times, May 27)
 - * Friday, May 14: Kubic takes Travel Office data to Jerry McDowell, a member of the Justice Department's Fraud Section. (Safire, New York Times, May 27)
 - * Friday, May 14-Sunday, May 16: Peat Marwick conducts "audit" of Travel Office under the supervision of Watkins. (Associated Press, May 24)
 - * Saturday, May 15: FBI agents meet with auditors from Peat Marwick to review the preliminary findings of the "audit." (Associated Press, May 24)
 - * Monday, May 17-Tuesday, May 18: Travel Office data is sent to John Keeney, acting chief of the Justice Department's Criminal Division, who reassigns it to Joseph Gangloff, head of the Public Integrity Section. (Safire, New York Times, May 27).
 - * Wednesday, May 19: The White House announces the firings of all seven employees of the Travel Office, claiming "gross mismanagement," uncovered as part of a "government performance review spearheaded by the Vice President." Dee Dee Myers says that "a hasty outside audit" found very "shoddy accounting practices and the FBI would probably be called in." (Reuters Library, May 24) Thomason stood in the back of the briefing room when Myers made the announcement. (Associated Press, May 24)
 - * Wednesday, May 19: White House media director, Jeff Eller, who is dating Cornelius, briefs reporters on "mismanagements." (Boston Globe, May 23)
 - * Wednesday, May 19: Cornelius is hired as co-director of the Travel Office.
 - * Wednesday, May 19: A two-page "Urgent Report" is forwarded by Keeney to Attorney General Reno, copy to Hubbell.

(Safire, New York Times, May 27)

- * Thursday, May 20: The White House hires World Wide Travel to handle the Travel Office charter business on a temporary basis. World Wide Travel is a former client of Watkins, an advertising executive from Little Rock. The owners of World Wide Travel were also major contributors to the Clinton campaign.

B. The Controversy Erupts

- * Friday, May 21: CNN and Reuters unearth Cornelius memo of February 15.
- * Friday, May 21: The White House severs relationship with both Cornelius and Worldwide Travel.

C. Damage Control/Abuse of Power

- * Friday, May 21: A "political strategy" meeting is held in the White House offices of George Stephanopoulos. Those who attended this meeting include: FBI Public Affairs Director John Collingwood, White House counsel Bernard Nussbaum, Myers, and Watkins. After the meeting, the White House publicly releases the Peat Marwick "audit" and issues a statement on FBI/Justice Department stationery stating that "additional criminal investigation is warranted" into the practices of the Travel Office. (Reuters Library, May 24)

Questions:

1. Who authorized White House officials to summon Collingwood to the White House?
2. Who authorized Collingwood to meet with White House officials, and in particular, was FBI Director Sessions aware that the meeting had been requested?
3. What was said at the White House meeting? In particular, how was it decided that a press statement on the stationery of FBI Director Sessions would be issued confirming that an FBI criminal investigation was underway?
4. Who drafted the press statement?
5. Who authorized Collingwood to issue the press statement to the White House?
6. Would the FBI ordinarily issue a press statement confirming that a criminal investigation was underway when the investigation was only at the preliminary stage that the Travel Office investigation had reached?

- * Friday, May 21: According to Rick Millinor, president of Ultrair, the company that handled most White House charters before the shake-up of the Travel Office, three Internal Revenue Service agents show up unannounced at the firm's offices in Smyrna, Tennessee, saying they were conducting their own audit of Ultrair and handing over a summons for company records. The IRS agents told company officials they had read about the White House travel controversy in the press and "had some concerns that the relationship between Ultrair and the White House wasn't on the up and up." (Washington Post, May 26)

Question:

1. Who authorized agents of the IRS to seize records of Ultrair, including Ultrair's records related to its dealings with the White House?

D. Backpedalling

- * Monday, May 24: Vice President Gore says he knows nothing about an audit of the Travel Office.
- * Tuesday, May 25: Attorney General Janet Reno complains that White House officials had ignored policies designed to prevent politicizing the FBI.
- * Tuesday, May 25: The White House announces that Mack McLarty and Leon Panetta will conduct internal White House review of Travelgate.
- * Tuesday, May 25: The White House announces that five of the seven original Travel Office employees have been placed on administrative leave with pay.

SON OF STIMULUS AND SUPPLEMENTAL

Senator Byrd says Appropriations Committee will take up after recess.

First Supplemental

Totals \$1.8 billion. Contains funding for SBA, Pell Grants, and Somalia Peacekeeping.

White House Funding in First Supplemental

As you know, the House Leadership struck the \$6,786,000 budgeted for the Executive Office of the President for salaries and expenses, but left in the 4 percent transfer authority that may be used to hire 50 new people. Senator DeConcini originally wanted to delete the transfer authority and leave in the money. Senator Bond's staff tells me Senator DeConcini may change his mind after the House action.

Second Supplemental -- "Son of Stimulus"

Administration Requests

Summer youth	\$320,000,000
Community policing	200,000,000
Waste water treatment	290,000,000

Committee Adds

Rural Water & Sewer loans	35,500,000
Rural Water & Sewer grants	35,000,000
AMTRAK	51,000,000
SBA tree planting (transfer)	(14,000,000)
	\$931,500,000

The House has included offsets that cause heartburn in the Senate. The Senate is likely to come up with offsets that are equally troubling to the House. I can easily see this bill getting mired in a House and Senate battle over offsets.

Talking Points

- 0 I WOULD LIKE TO CONGRADUATE THE HOUSE APPROPRIATIONS COMMITTEE FOR COMING UP WITH TWO SUPPLEMENTALS THAT ARE WITHIN THE 1993 BUDGET GUIDELINES. THAT IS THE KIND OF DISCIPLINE WE NEED TO TACKLE THE BUDGET DEFICIT.
- 0 WE MAY NEED TO MAKE A FEW CHANGES IN THE BILLS IN THE SENATE. THE HOUSE LEADERSHIP DELETED \$6.7 MILLION FOR THE WHITE HOUSE BECAUSE OF THE PROBLEMS WITH THE WHITE HOUSE TRAVEL OFFICE. WE MAY NEED TO DO THE SAME OVER HERE IN THE SENATE.

TRAVELGATE--POSSIBLE CRIMINAL VIOLATIONS

1. 18 USC 208. Acts affecting personal financial interest. This law prohibits any executive branch employee, including "special government employees (i.e. Thomason)," from participating in any decision, approval, recommendation, or investigation...involving a request for a contract, charge...or accusation...in which, to his knowledge, he or any organization in which he is serving as an officer, director...or general partner, has a financial interest.

Maximum Penalty: \$50,000 fine and ten years imprisonment.

2. 18 USC 641. Misuse of public property or records. This law prohibits any person from embezzling, stealing, purloining, or knowingly converting to his use or the use of another, or without authority, selling, conveying, or disposing of any record, voucher, money, or thing of value of the United States....

Maximum Penalty: \$10,000 fine and ten years imprisonment.

3. 18 USC 241. Depriving persons of rights under color of law. This law prohibits two or more persons from conspiring to injure, oppress, threaten, or intimidate any inhabitant of any State, Territory, or the District of Columbia in the free exercise or enjoyment of any right or privilege secured him by the Constitution or laws of the United States.

Maximum Penalty: \$10,000 fine and ten years imprisonment.

4. 18 USC 600. Promise of employment or benefit for political activity. This law prohibits anyone from promising any employment, position, compensation, contract...or other benefit...made possible by an Act of Congress, or any special consideration in obtaining such benefit, to any person as consideration, favor or reward for any political activity....

Maximum Penalty: \$10,000 fine and one year imprisonment.

5. 18 USC 1001. False Statements. This law prohibits any person, in any matter within the jurisdiction of a department or agency of the United States, from knowingly and willfully falsifying, concealing, or covering up...a material fact, or making any false or fraudulent statement or representation....

Maximum Penalty: \$10,000 fine and ten years imprisonment.

6. 18 USC 371. Conspiracy to deprive government of honest services of employees. This law prohibits two or more persons from conspiring to commit any offense against the United States, or to defraud the United States, in any manner or for any purpose.

Maximum Penalty: \$10,000 fine and five years imprisonment.

May 28, 1993

TO: SENATOR DOLE
FROM: John Mugler
SUBJECT: Calls Regarding Clinton's Tax Bill

DATE:	OFFICE:	FOR:	AGAINST:
11:00am			
FRI. 28	HART OFFICE	3	143
FRI. 28	KANSAS OFFICES		
	Kansas City	0	2
	Topeka	0	1
	Wichita	1	25
<hr/>			
SUB-TOTAL:		4	171

Coopers
& Lybrand

Trendsetter

B A R O M E T E R TM

FOR IMMEDIATE RELEASE

CONTACT: Pete Collins
(212) 536-2166

MOST FAST-GROWTH CEOs TURN NEGATIVE ON CLINTON ECONOMIC PROGRAM,
ACCORDING TO COOPERS & LYBRAND'S "TRENDSETTER BAROMETER"

Coopers & Lybrand's "Trendsetter Barometer" interviewed CEOs of 400 product and service companies identified in the media as the fastest growing U.S. businesses over the last five years. The surveyed companies range in size from approximately \$1 million to \$50 million in revenue/sales.

WASHINGTON, D.C., May 12, 1993 -- CEOs of America's fastest growing companies, who earlier were divided about the effectiveness of the Clinton economic program on business growth, shifted to the negative side during the first quarter of 1993, according to Coopers & Lybrand's latest **"Trendsetter Barometer"** survey.

Fifty-one percent of CEOs surveyed now express a negative outlook on the Clinton program, a jump of 17 percentage points from 34 percent in January. Only one-quarter of fast-growth CEOs currently say they are positive about the Clinton program's potential to move the economy forward, and another 24 percent say they are neutral, **"Trendsetter Barometer"** reveals.

Solutions
for Business SM

-2-

"Many of these companies are worried about a perceived lack of spending cuts in the plan," explains Sam Starr, a partner with Coopers & Lybrand's National Tax office in Washington, D.C. "In fact, spending cuts were cited by nearly half of all fast-growth CEOs as the most important single issue missing from the Clinton program. Specifically, survey respondents called for elimination of government waste and ineffective programs, and some limits on entitlement growth."

According to "Trendsetter Barometer," these CEOs also felt the Clinton economic proposals demonstrate a lack of empathy for business and have little potential to create many jobs. These CEOs also had questions about the feasibility of the yet-unrevealed new health-care reform program.

On the positive side, a large majority of CEOs surveyed say that Clinton's proposal to reduce the capital gains tax for smaller companies would be effective in stimulating business growth. According to the survey, almost two-thirds (65 percent) of the fast-growth CEOs felt a capital gains reduction of 50 percent for individuals investing in certain "C" corporations would be effective as an incentive for investors to seek out smaller growth companies. A majority (57 percent) also indicated that a permanent investment tax credit provided for firms under \$5 million in revenues, combined with a credit through 1994 for larger firms, would be effective, although the administration is now acknowledging it may be willing to concede this incentive to

-more-

-3-

enhance passage of its larger program.

More than 80 percent of CEOs expressing negative opinions of the Clinton proposals are also critical of plans for increased taxes, citing an inequitable balance between spending cuts and tax reform, the survey reveals. Less than one-third (31 percent) of CEOs surveyed say the Clinton plan represents a strong start toward debt reduction. Fast-growth CEOs -- by a margin of 3 to 1 -- also say they do not favor delaying deficit reduction efforts until the economy is stronger, according to the survey.

"The CEOs most concerned about the Clinton economic plan, and its balance between spending cuts and tax increases, appear to be firms with unusually high growth expectations," says Starr. "These high flyers are more likely to see the pitfalls in the new plan, because they are investing more and have more at risk."

Clinton plan naysayers tend to be more bullish on their own growth, the survey found. CEOs expressing negative opinions about the Clinton plan say they expect a 28.8 percent company growth rate over the next 12 months, outpacing an expected growth of 25.8 percent among those favorable toward the plan. This contrast carries over to employment outlook: CEOs with negative views on the plan expect to add 15.9 percent to their composite work force this year, compared with only 13.4 percent for CEOs with positive views of the plan.

-more-

-4-

Coopers & Lybrand's **"Trendsetter Barometer"** is developed and compiled by the firm's Entrepreneurial Advisory Services group with assistance from the opinion and economic research firm of Business Science International. At each Coopers & Lybrand office, an Entrepreneurial Advisory Services team is available to serve the needs of growing and midsize companies.

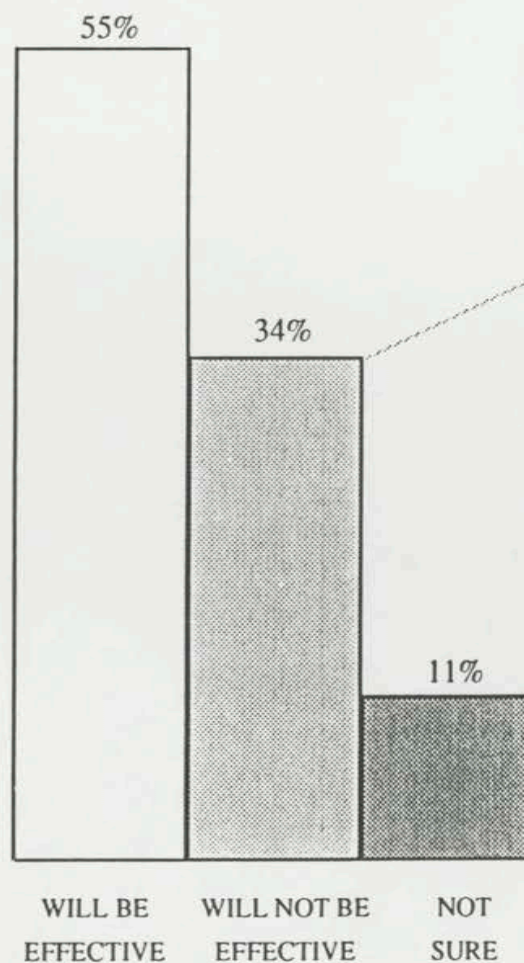
One of the world's leading professional firms, Coopers & Lybrand provides services for enterprises in a wide range of industries. The firm offers its clients the expertise of more than 16,000 professionals and staff in 101 U.S. offices and more than 66,000 people in 120 countries worldwide.

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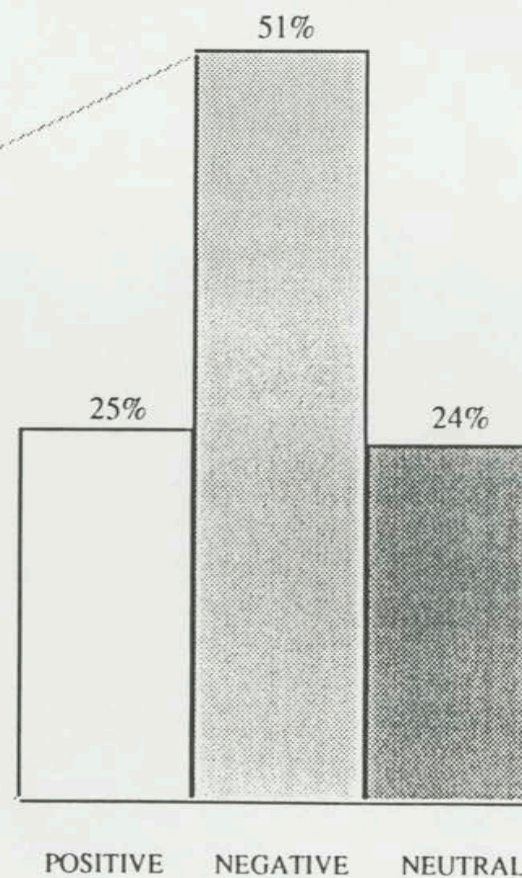
Chart Attached

FAST GROWTH CEOs NOW NEGATIVE ON CLINTON ECONOMIC PROGRAM

JANUARY 1993
MAJORITY THOUGHT CLINTON
PROGRAM FOR BUSINESS
GROWTH WOULD BE EFFECTIVE



APRIL 1993
MAJORITY NOW DOUBT CLINTON
ECONOMIC PROGRAM HAS POTENTIAL TO
MOVE U.S. ECONOMY AHEAD



May 25, 1993

Results from the latest CNN-USA Today-Gallup Poll

1,023 adults surveyed 5/21-23; margin of error +/- 3%

I. CLINTON JOB PERFORMANCE

	NOW	5/10-12	4/22-24	3/29-31	3/12-14
Approve	44%	45%	55%	52%	53%
Disapprove	46	44	37	37	34

II. CLINTON HANDLING OF... ECONOMY FOREIGN AFFAIRS

	NOW	4/24	3/31	NOW	4/24	3/31
Approve	35%	43%	49%	44%	53%	55%
Disapprove	59	50	42	43	34	30

III. THE WAY THINGS ARE GOING IN U.S.

	SATISFIED	DISSATISFIED
NOW	24%	73%
2/12-14	25	71
1/8-11	29	68
11/92	26	68
6/92	14	84

IV. CLINTON'S ECONOMIC PLAN V. CONGRESS SHOULD PASS CLINTON PLAN

	SUPPORT	OPPOSE		NOW	2/28
NOW	44%	45%	As proposed	23%	35%
4/22/24	55	39	With major changes	42	46
3/22-24	55	34	Reject it	26	14
2/26-28	59	29			
2/17	79	16			

VI. PROPOSAL TO CHANGE CLINTON PLAN (KILL ENERGY TAX, CUT SS, MEDICARE, ETC.)

Favor 22% Oppose 72%

FOREIGN POLICY

FOREIGN POLICY

-- I WAS VERY DISTURBED THIS WEEK BY REMARKS MADE BY A SENIOR STATE DEPARTMENT OFFICIAL WHICH OUTLINED A POLICY OF AMERICAN WITHDRAWAL FROM WORLD AFFAIRS. TO BE SURE, THE WHITE HOUSE AND STATE DEPARTMENT QUICKLY TRIED TO CORRECT THESE REMARKS AND REASSURE A GROWING NUMBER OF CRITICS THAT AMERICA WASN'T REALLY GOING TO ABANDON THE FIELD AFTER ALL.

-- THE PROBLEM IS THE WASHINGTON TIMES REPORTED THAT THE SAME STATE DEPARTMENT OFFICIAL -- A CAREER FOREIGN SERVICE OFFICER -- SAID THE SAME THING IN A SPEECH TO HIS COLLEAGUES ABOUT TWO MONTHS AGO. NOW, CAREER FOREIGN SERVICE OFFICERS ARE NOT KNOWN FOR BOLD DEPARTURE FROM THE POLICIES LAID DOWN BY THEIR BOSSES, AT LEAST NOT WHILE THEY'RE STILL SERVING IN FOGGY BOTTOM. SO I WONDER IF THE REMARKS WHICH THE ADMINISTRATION TRIED TO PLAY DOWN WERE REALLY A CASE OF CARELESS MISSTATEMENT OR AN HONEST COMMENT ON AN ADMINISTRATION UNWILLING TO PLAY A LEADERSHIP ROLE IN A DANGEROUS AND COMPLEX WORLD.

-- AND DON'T THINK THOSE WORDS ARE JUST FUEL FOR INSIDE THE BELTWAY SPECULATION. THEY GET CAREFUL CONSIDERATION IN IRAQ, IN NORTH KOREA, IN HAITI AND IN A DOZEN OTHER PLACES WHERE FREEDOM AND DEMOCRACY ARE NOT WELCOME.

-- LOOK AT THE FACTS. THE ADMINISTRATION GOES FROM CRITICIZING THE BUSH ADMINISTRATION FOR NOT DOING ENOUGH IN YUGOSLAVIA, FROM ADVOCATING AIR STRIKES IN BOSNIA JUST A FEW WEEKS AGO TO THROWING UP ITS HANDS AND TALKING ABOUT THE NEED TO DO THINGS MULTILATERALLY -- TRANSLATION -- TO DO NOTHING. THEN SADDAM HUSSEIN THREATENS THE KURDISH SAFE HAVENS, THE GENERALS IN HAITI SEND U.S. MEDIATORS PACKING -- REFUSING TO ACKNOWLEDGE A DEMOCRATICALLY ELECTED GOVERNMENT, AND SERBIAN LEADER MILOSEVIC BREAKS HIS LATEST PROMISE TO PERMIT MONITORS FOR THE EMBARGO ON BOSNIAN SERBS.

-- NOW THE ADMINISTRATION SAYS IT HAS A PLAN TO WORK WITH OUR ALLIES TO ISOLATE IRAN. IF THE ADMINISTRATION CAN'T GET OUR EUROPEAN ALLIES TO STOP GENOCIDE IN BOSNIA, WHAT CHANCE DOES IT HAVE TO GET THEM TO ISOLATE IRAN, AN IMPORTANT TRADING PARTNER?

-- I HOPE MULTILATERALISM HASN'T BECOME A COVER WORD FOR INACTION. DON'T GET ME WRONG, I BELIEVE IN WORKING WITH OUR ALLIES TOWARD SPECIFIC GOALS. THAT'S WHAT GEORGE BUSH DID IN WINNING THE GULF WAR. BUT THAT TOOK LEADERSHIP THAT ONLY AMERICA COULD HAVE PROVIDED. MULTILATERALISM IS FINE BUT WE CAN'T SUBCONTRACT OUR FOREIGN POLICY TO THE UNITED NATIONS.

-- AND FOREIGN POLICY ISN'T ISOLATED FROM OUR OTHER VITAL INTERESTS. IF AMERICA DOESN'T DEMONSTRATE SUCCESSFUL LEADERSHIP IN FOREIGN POLICY WE'RE NOT GOING TO BE SUCCESSFUL IN OPENING MARKETS FOR OUR PRODUCTS, IN FIGHTING THE DRUG WAR, IN KEEPING OUR CITIZENS SAFE FROM INTERNATIONAL TERRORISM -- POLICIES THAT AFFECT US IN OUR WORKPLACE, IN OUR HOMES AND IN OUR SCHOOLS.

CHINA/MFN

-- I SUPPORT THE PRESIDENT'S DECISION TO EXTEND MOST FAVORED NATION TRADING STATUS TO CHINA FOR ANOTHER YEAR.

-- BUT I DO REGRET THAT THE PRESIDENT HAS DECIDED TO PUT THOUSANDS OF AMERICAN JOBS AT RISK BY -- FOR THE FIRST TIME -- PUTTING CONDITIONS ON THE RENEWAL OF MFN STATUS IN 1994.

-- EVERY YEAR WE HAVE HAD THIS DEBATE AND EVERY YEAR AMERICAN FARMERS AND MANUFACTURERS HAVE TO HOLD THEIR BREATH TO SEE IF THEIR ABILITY TO DO BUSINESS WITH CHINA WILL BE CUT OFF. NOW THEY ARE GUARANTEED ANOTHER YEAR OF UNCERTAINTY. I HAD STRONGLY SUGGESTED TO THE PRESIDENT -- AS DID OTHER SENATORS AND CONGRESSMEN FROM BOTH PARTIES -- THAT THIS ANNUAL DEBATE WAS NOT IN THE BEST INTERESTS OF DEMOCRACY IN CHINA OR ECONOMIC HEALTH HERE AT HOME.

-- THIS APPROACH IS PARTICULARLY PUZZLING SINCE THE ADMINISTRATION HAS BEEN SOUNDING THE VIRTUES OF MULTILATERALISM - - WORKING WITH OUR ALLIES IN BOSNIA, WORKING WITH THEM ON IRAN -- NOT GOING IT ALONE.

-- YET, I DON'T SEE OUR FRIENDS IN EUROPE AND JAPAN ANNOUNCING CONDITIONS ON THEIR TRADE POLICIES WITH CHINA. I DON'T SEE ANY MULTILATERAL APPROACH HERE. WHAT I SEE IS THE ADMINISTRATION TELLING AMERICAN FARMERS AND AMERICAN WORKERS AND AMERICAN CONSUMERS THAT THEY'VE BEEN DRAFTED IN A ONE-COUNTRY EFFORT TO PROMOTE DEMOCRATIC PROGRESS IN CHINA.

-- THIS IS ALSO HARD TO RECONCILE WITH STATEMENTS MADE BY ADMINISTRATION OFFICIALS IN BRIEFINGS THE PAST TWO WEEKS THAT CHINA HAS INDEED TAKEN A NUMBER OF IMPORTANT STEPS IN HUMAN RIGHTS, IN TRADE AND IN MUTUAL NATIONAL SECURITY INTERESTS WHICH THE U.S. HAD ASKED IT TO DO.

-- THERE MAY BE A COMPLETELY NEW LEADERSHIP IN CHINA SOON. SOME OF THOSE IN POWER DURING THE TIANANMEN SQUARE TRAGEDY ARE GONE. PREMIER LI PENG (LEE PUNG) HAS NOT BEEN SEEN FOR FOUR WEEKS. I HOPE THE ADMINISTRATION HAS NOT TURNED A TIME OF OPPORTUNITY INTO A WINDFALL PROFIT FOR OUR TRADE COMPETITORS.

-- CHINA IS AND WILL BE A HUGE FORCE IN ASIA. AMERICA NEEDS A GOOD RELATIONSHIP WITH CHINA. I WOULD ASK THE CHINESE LEADERSHIP TO WORK WITH OUR ADMINISTRATION TO EXPAND BILATERAL COOPERATION AND REDUCE THE DIFFERENCES BETWEEN US. FOR THOSE TWO GOALS, I PROMISE MY STRONG SUPPORT.

BTU ENERGY TAX

SUGGESTED TALKING POINTS

May 27, 1993

TAX PROVISIONS IN THE HOUSE RECONCILIATION BILL

BTU TAX/EXPORTS

- THEY ARE STILL TRYING TO CONVINCE MANY TO BUY IN ON THE ENERGY TAX. WHAT THEY'RE FLOATING NOW IS AN EXPORT REBATE OR EXPORT CREDIT TO COMPENSATE INDUSTRIES WHICH ARE MADE LESS COMPETITIVE BY THE TAX. NO ONE HAS THE DETAILS YET.
- RIGHT NOW, AMERICAN AGRICULTURE AND FOOD PROCESSING ARE EXTREMELY COMPETITIVE WITH FOREIGN PRODUCERS. WE ARE AVERAGING MORE THAN \$40 BILLION A YEAR IN FOOD AND FIBER EXPORTS AND EARNING AN ANNUAL TRADE SURPLUS OF MORE THAN \$20 BILLION IN THESE PRODUCTS.
- IS A BTU TAX GOING WEIGH DOWN ONE OF OUR MOST COMPETITIVE SECTORS AND ADD TO OUR TRADE DEFICIT?
- HAS USTR KANTOR EXAMINED THESE EXPORT PROPOSALS TO SEE IF THEY ARE CONSISTENT WITH INTERNATIONAL TRADE OBLIGATIONS?
- IF THEY ARE NOT CONSISTENT, WE CAN EXPECT TRADING PARTNERS TO RETALIATE, FURTHER DAMAGING OUR EXPORTERS WHO HAVE ACCOUNTED FOR THE LION'S SHARE OF ECONOMIC GROWTH IN THE UNITED STATES IN THE PAST SEVERAL YEARS.
- THEN THERE'S ALL THE CHANGES -- I'M NOT SURE WE REALLY KNOW HOW THE TAX IS GOING TO WORK. IN ITS ORIGINAL PROPOSAL, THE ADMINISTRATION PROPOSED TO TAX ETHANOL AND METHANOL. THE ADMINISTRATION LATER MODIFIED ITS PROPOSAL TO EXEMPT ETHANOL AND METHANOL. WAYS AND MEANS PUT ETHANOL AND METHANOL BACK IN -- THEY WILL BE TAXED.
- NO DOUBT THAT ON THE SENATE SIDE -- SEVERAL MEMBERS WILL BE SEEKING TO REINSTATE THE EXEMPTION. THAT WOULD ONLY BE ONE EXEMPTION. WE ARE LIKELY TO FIND MORE THAN THE HOUSE 14 EXEMPTIONS TO THE ENERGY TAX. HOW TO PAY FOR THEM WILL BECOME A BIG PROBLEM.

CORPORATE RATE

- THE HOUSE INCREASED THE CORPORATE RATE BY 1 PERCENT -- THE PRESIDENT HAD A 2 PERCENT INCREASE. I CAN SEE THE RATE GOING BACK UP IF ONLY TO PAY FOR ENERGY TAX EXEMPTIONS AIMED AT GETTING DEMOCRAT MEMBERS ON BOARD.

INDIVIDUAL RATE

- AT THE REQUEST OF THE TREASURY DEPARTMENT, THE COMMITTEE RAISED \$1.6 BILLION BY REACHING A BIT LOWER ON THE INCOME

SCALE. IT DID THIS BY DELAYING FOR ONE YEAR THE INFLATION INDEXING FOR INDIVIDUALS NEAR THE TOP THRESHOLDS.

- IT'S BAD ENOUGH THAT THE MARRIAGE PENALTY IS SO GREAT, IT'S BAD ENOUGH THAT INDIVIDUALS WILL BE TAXED GREATER THAN CORPORATIONS -- NOW WE'RE FACED WITH THE RETURN OF "BRACKET CREEP."
- WHEN YOU ADD IT ALL UP, THE HIGHER RATE, THE SURTAX THE PHASE OUT OF DEDUCTIONS, AMERICANS ARE FACED WITH A RATE AT SOME 44%. NO DOUBT FOUR YEARS FROM NOW WE'LL BE LOOKING TO START ANOTHER TAX REFORM MOVEMENT.
- AND DON'T FORGET, THESE TAX INCREASES STARTED LAST JANUARY. YOU'VE BEEN PAYING THE HIGHER TAX EVEN THOUGH CONGRESS HASN'T PASSED A LAW.
- SO IF YOU THOUGHT YOU ESCAPED, TAKE ANOTHER LOOK.

BARGE TAX

- THE BARGE AND TOWING INDUSTRY TRANSPORTS 15 PERCENT OF ALL THE NATION'S FREIGHT; OVER HALF OF ALL EXPORT GRAIN; 20 PERCENT OF COAL AND OVER 30 PERCENT OF THE NATIONS PETROLEUM PRODUCTS.
- WITH ALL THE TALK ABOUT REVITALIZING THE ECONOMY, IT'S PUZZLING THAT THE DEMOCRATS WANT TO IMPOSE A HEAVY INCREASE IN FUEL TAXES PAID BY COMMERCIAL VESSELS USING OUR WATERWAYS.
- THE PRESIDENT HAD PROPOSED A 500 PERCENT INCREASE; THE COMMITTEE HAS REPORTED A 250 PERCENT.
- CLEARLY, THE BARGE TAX WILL HAVE SEVERE REPERCUSSIONS THROUGHOUT ALL THE INDUSTRIES THAT ARE DEPENDENT UPON WATERBORNE TRANSPORTATION.

SOCIAL SECURITY BENEFITS

- CURRENT LAW PROVIDES THAT ONLY 50 PERCENT OF YOUR SOCIAL SECURITY BENEFITS ARE TAXED AND THAT THE TAXES BE PLACED IN THE SOCIAL SECURITY TRUST FUND TO ASSURE THE SOUNDNESS OF THE FUND.
- THE CLINTON PLAN INCREASED THE TAXABLE PORTION TO 85%. THE HOUSE ACCEPTED THE TAX INCREASE AND WENT EVEN FURTHER.
- THE TAX WILL BE TRANSFERRED TO THE GENERAL FUND IT WILL NOT BE PLACED IN THE SOCIAL SECURITY TRUST FUND. THIS IS SO THAT THE NEW SPENDING PROPOSALS HAVE ENOUGH FUNDING.

BTU TAX TALKING POINTS

AMERICAN ECONOMY IS DRIVEN BY ENERGY

THE ECONOMY IS NOT GROWING AS FAST AS WE HOPED

SIX NUMBERS MEASURING THE ENERGY SECTOR OF THE ECONOMY HELP POINT OUT WHY:

OUR NATION'S MERCHANDISE TRADE DEFICIT IS THE WORST IN FOUR YEARS

OVER HALF OF THE TRADE DEFICIT IS DUE TO OIL -- NOT TOYOTAS, NOT TELEVISIONS OR CAMERAS -- BUT OIL

OIL IMPORTS IN THE FIRST THREE MONTHS OF 1993 WERE 6.2% HIGHER THAN THE SAME PERIOD JUST A YEAR EARLIER.

IN THE FIRST FOUR MONTHS OF THIS YEAR, OIL PRODUCTION IN THE UNITED STATES FELL BELOW 7 MILLION BARRELS PER DAY -- THE WORST SINCE 1960.

OVER ONE HALF OF THE JOBS IN THE OIL INDUSTRY HAVE BEEN LOST IN THE PAST TEN YEARS -- 477,000.

FINALLY, AS YOU ALL KNOW, THE ACTIVE RIG COUNT IS THE LOWEST LEVEL IN HISTORY.

THINGS ARE BAD IN THE OILPATCH, AND WE NEED TO DO SOMETHING TO ENCOURAGE MORE DOMESTIC PRODUCTION TO LOWER OUR TRADE DEFICIT, INCREASE EMPLOYMENT AND STIMULATE OUR ENERGY-DRIVEN ECONOMY.

WHAT THE PRESIDENT HAS PROPOSED TO ACCOMPLISH THIS IS HIS ENERGY TAX OR THE SO-CALLED "BTU" TAX.

THERE IS NOT ONE CASE IN HISTORY WHERE GOVERNMENT HELPED REINVIGORATE A STRUGGLING INDUSTRY BY INCREASING ITS TAXES.

THE BTU TAX WILL INCREASE THE TRADE DEFICIT, INCREASE UNEMPLOYMENT AND STALL THE ECONOMIC RECOVERY.



Media Release

Richard G. Lugar

United States Senator for Indiana

Contact: Press Office 202/224-7438



LUGAR RALLIES SUPPORT OF FAMILY FARMERS AGAINST CLINTON CUTS, TAX Senator to Offer Alternative Reconciliation Package Against Cuts

May 26, 1993

Contact: Kevin Shaw Kellems 202-224-8370; -224-7438
Chuck Conner 202-224-6901

WASHINGTON--Congress should reject cuts in farm income supports because of the large tax increases proposed by the Clinton Administration on American agriculture, Sen. Richard G. Lugar said today.

Lugar (R-IN) vowed to offer an alternative budget reconciliation package for agriculture in the Senate Agriculture Committee.

Lugar, the ranking member of the Senate Agriculture Committee, asked Democrats and Republicans in the House and Senate to save family farms on the financial brink by opposing the administration's \$3 billion cut in farm price supports.

Lugar urged House members facing tomorrow's vote on the Clinton tax plan to consider the dual impact of a new energy tax and significant cuts in USDA crop payments to farmers. "I cannot imagine how members of Congress dedicated to the preservation of struggling family farmers could think about voting for a combination of higher taxes on farmers and lower support payments.

"I intend to give Senators in the committee or on the Senate floor the opportunity and responsibility to vote up or down on family farm income."

Lugar said Congress should reject the entire Clinton proposal because it relies too heavily on tax increases. "But if Congress and the Administration are bound and determined to raise these taxes," Lugar said, "they certainly should not compound the injury by making further cuts in farm income programs."

Lugar said the BTU tax could raise farm costs by up to \$1 billion a year. Other taxes would also hurt agriculture, including a 250 percent hike in taxes on fuel used to transport grain down the Mississippi River.

"The proposed BTU energy tax will be particularly devastating in rural areas where people have to drive longer distances and where energy-intensive industries like agriculture are among the primary employers. All this means higher production costs, a less competitive product in world markets, and lower net farm income," Lugar said. He added that several studies by independent groups like the Food and Agricultural Policy Research Institute have concluded that the Administration's proposals will devastate net farm income.

news from

Senator Jack Danforth

— Missouri

For Immediate Release
May 27, 1993

Contact: Steve Hilton
202-224-6154

DANFORTH WARNS THAT ADMINISTRATION'S 'FIX' ON BTU TAX BREAKS TRADE AGREEMENTS, EXPOSES EXPORTS TO FOREIGN RETALIATION

U.S. Senator Jack Danforth (R-MO) said today the Clinton Administration is now admitting that its proposed BTU tax will hurt U.S. economic competitiveness.

Danforth warned that proposals to modify the BTU tax with refunds on U.S. exports and new fees on imports will violate international trade agreements and expose American products to retaliation around the world.

Danforth is the senior Republican member of the Senate International Trade Subcommittee and a principal author of many basic U.S. trade statutes. Danforth stated:

"It has been stated that the Administration will offset the anti-competitive effects of the BTU tax in the Senate by refunding the tax to U.S. exporters and by imposing new fees on imports of 'high-energy products.'

"This would be a stunning and harmful aboutface by the U.S. Such a system would be highly suspect under trade agreements. We have ruled in the past that such 'border adjustments' are illegal for other countries. In trade negotiations, our consistent position is that such systems are totally unacceptable.

"In subsidy cases, the U.S. Department of Commerce has ruled that rebating taxes on energy consumed in manufacturing is an export subsidy and a violation of the General Agreement on Tariffs and Trade. The GATT subsidy code permits rebates on taxes paid by manufacturers for their inputs only if such inputs are physically incorporated into the final product.

"Therefore, the BTU tax cannot be rebated on energy consumed in manufacturing. For example, the electricity used to produce an automobile is a manufacturing input. It is not physically incorporated into the finished product and, therefore, a tax on this electricity cannot be legally rebated.

"Julius Katz, formerly Deputy U.S. Trade Representative, has stated to me, 'My reading of the text (of the GATT subsidies code) is that a rebate or remissions of a BTU tax would be regarded as an export subsidy, unless the amount of that rebate was the tax actually paid on the prior stage goods physically incorporated in the exported product.'

"Carla Hills, formerly U.S. Trade Representative, has stated:

This document is from the collections at the Dole Archives, University of Kansas
<http://dolearchives.ku.edu>
Although I have not seen the text of the bill, I
say that a rebate of the BTU tax upon exportation of
energy-containing goods could well be vulnerable to challenge as an
export subsidy and subject to countervailing duties by our trading
partners. We would then need to defend the measures in the GATT.
This would involve a lengthy proceeding, a proceeding we might well
lose. In the meantime, U.S. exporters could face many expensive

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countervailing duty actions in foreign markets that would tie up billions of dollars of our manufactured exports.' Undoubtedly, the Treasury Department has kept such fees and rebates out of its formal proposals for precisely this reason: the Administration is fully aware of the weakness and dangers inherent in this position.

"European countries may simply imitate our policy and impose import fees on 'energy intensive' U.S. goods, and rebate energy taxes paid by their businesses. If they do this, we will have no standing to complain. This would be very ironic in light of the Administration's frequent argument that European energy taxes are higher than ours, because Europe would be responding to our fees and rebates with even larger fees and rebates.

A summary of border adjustment of the BTU tax is attached.

HEALTH CARE

Summary of GOP Task Force Health Reform Proposal

Overview

- * Reforms laws in order to make health insurance more affordable.
- * Slows the rate of growth in health care costs.
- * Guarantees that individuals do not lose their health insurance coverage when they change or lose their jobs.
- * Helps provide health care coverage to families and individuals with low incomes.

Reforms

Encourages individuals and small businesses form purchasing cooperatives to give them more choice and the same negotiating power with insurance companies and health care providers that large companies currently enjoy.

Prohibits insurance companies from excluding individuals on the basis of health status, from charging higher premiums to people who are sick, and from refusing to provide coverage for pre-existing conditions.

Reforms medical liability laws to ensure that those who are harmed through negligence can be compensated, while discouraging frivolous lawsuits. Such reforms will also prevent unnecessary testing and procedures which drive up health care costs.

Allows individuals and the self-employed to deduct 100% of the cost of their health insurance premiums. Currently, only large businesses and their employees enjoy this tax benefit. Self-employed individuals can deduct only 25% and individuals cannot deduct costs unless they exceed 7.5 percent of their income.

Reforms anti-trust law so that doctors and hospitals can share expensive equipment rather than forcing every provider to have their own equipment. The cost of these purchases are passed on to patients.

Cuts administrative waste and bureaucratic red tape by eliminating paperwork. Eliminates fraud and abuse in the health care system by prohibiting physicians from referring patients to labs, pharmacies, and other health centers in which they own.

Provides special assistance to rural and inner-city areas to help them attract physicians to those areas and provide better quality care and more choice.

Provides subsidies to low-income individuals to help them purchase health insurance. The poorest would be included immediately, but subsidies for those over the poverty level will be phased-in.

Does not place the burden of health insurance coverage on small businesses which can cost jobs.

Provides limited assistance to the elderly for long-term care.

Allows Medicare beneficiaries to join purchasing cooperatives to get coverage of outpatient prescription drugs.

Financing - "Pay-as-you-go"

Coverage for lowest income individuals and families will be paid for by restructuring Medicaid payments to hospitals for low-income patients, and through a limited cap on the deductibility of employer-provided health benefits.

Coverage for higher income individuals and families who need assistance in purchasing health insurance will be phased-in over several years, and will be financed through reforms in federal entitlement programs. If these savings do not prove sufficient, Congress would be required to cut federal spending or raise new revenues before coverage goes into effect.

TRADE

TRADE POLICY

-- NAFTA: Mexico and Canada rejected the Administration's proposals on side agreements on the environment and labor in their first round of meetings in Canada last week. Mexico and Canada aren't opposed to side agreements but they seem to be opposed to creating large new bureaucracies with extensive enforcement and investigative powers.

The Administration intends to try again in about two weeks but is probably not going to make its self-imposed deadline of finishing the side agreement talks by the end of June.

-- GATT: The EC is being difficult again on agriculture. The French keep talking about undoing the "Blair House" agreement on oilseeds and the EC is threatening to put huge tariffs on banana imports from Latin America to benefit imports from their former colonies in Africa and the Caribbean.

While bananas don't mean anything to American agriculture, this would set a precedent for the EC to use against food and farm products from the United States.

The Administration wants renewal of "fast track" negotiating authority but has yet to organize support for a clean bill. Senator Baucus and others are still threatening amendments.

The White House

Office of the Press Secretary

For Immediate Release

May 28, 1993

Statement by the President
On Most Favored Nation Status for China

Yesterday the American people won a tremendous victory as a majority of the House of Representatives joined me in adopting our plan to revitalize America's economic future.

Today, members of Congress have joined me to announce a new chapter in United States policy toward China.

China occupies an important place in our nation's foreign policy. It is the world's most populous state, its fastest growing major economy, and a permanent member of the United Nations Security Council. Its future will do much to shape the future of Asia, our security and trade relations in the Pacific, and a host of global issues, from the environment to weapons proliferation. In short: our relationship with China is of very great importance.

Unfortunately, over the past four years our nation spoke with a divided voice when it came to China. Americans were outraged by the killing of pro-democracy demonstrators at Tiananmen square in June of 1989. Congress was determined to have our nation's stance toward China reflect our outrage.

Yet twice after Congress voted to place conditions on our favorable trade rules toward China -- so-called Most Favored Nation status -- those conditions were vetoed. The annual battles between Congress and the Executive divided our foreign policy and weakened our approach over China.

It is time that a unified American policy recognize both the value of China and the values of America.

Starting today, the United States will speak with one voice on China policy. We no longer have an Executive Branch policy and a congressional policy. We have an American policy.

I am happy to have with me today key congressional leaders on this issue. I am also honored to be joined by representatives of the business community and several distinguished Chinese student leaders. Their presence here is a tangible symbol of the unity of our purpose.

I particularly want to recognize Senate Majority Leader George Mitchell of Maine and Congresswoman Nancy Pelosi of California. Their tireless dedication to the cause of freedom in China has given voice to our collective concerns. I intend to continue working closely with Congress as we pursue our China policy.

We are here today because the American people continue to harbor profound concerns about a range of practices by China's communist leaders. We are concerned that many activists and pro-democracy leaders, including some from Tiananmen Square, continue to languish behind prison bars in China for no crime other than exercising their consciences. We are concerned about international access to their prisons. And we are concerned by the Dalai Lama's reports of Chinese abuses against the people and culture of Tibet.

We must also address China's role in the proliferation of dangerous weapons. The Gulf War proved the danger of irresponsible sales of technologies related to weapons of mass destruction. While the world is newly determined to address the danger of such missiles, we have reason to worry that China continues to sell them.

Finally, we have concerns about our terms of trade with China. China runs an \$18 billion trade surplus with the U.S. -- second only to Japan. In the face of this deficit, China continues practices that block American goods.

I have said before that we do not want to isolate China, given its growing importance in the global community. China today is a nation of nearly 1.2 billion people -- home to one of every five people in the world. By sheer size alone, China has an important impact on the world's economy, environment, and politics. The future of China and Hong Kong is of great importance to the region and to the people of America.

We take some encouragement from the economic reforms in China -- reforms that by some measures place China's economy as the third largest in the world, after the United States and Japan. China's coastal provinces are an engine for reform throughout the country. The residents of Shanghai and Guangzhou are far more motivated by markets than by Marx or Mao.

We are hopeful that China's process of development and economic reform will be accompanied by greater political freedom. In some ways, this process has begun. An emerging Chinese middle class points the antennae of new televisions towards Hong Kong to pick up broadcasts of CNN. Cellular phones and fax machines carry implicit notions of freer communications. Hong Kong itself is a catalyst of democratic values -- and we strongly support Governor Patten's efforts to broaden democratic rights.

The question we face today is how best to cultivate these hopeful seeds of change in China while expressing our clear disapproval of its repressive policies.

The core of this policy will be a resolute insistence upon significant progress on human rights in China. To implement this policy, I am signing today an Executive Order that will have the effect of extending Most Favored Nation status for China for 12 months. Whether I extend MFN next year, however, will depend upon whether China makes significant progress in improving its human rights record.

The Order lays out particular areas I will examine, including respect for the Universal Declaration of Human Rights, and the release of citizens imprisoned for the non-violent expression of their political beliefs -- including activists imprisoned in connection with Tiananmen Square. The Order includes China's protection of Tibet's religious and cultural heritage, and compliance with the bilateral U.S.-China agreement on prison labor.

In addition, we will use existing statutes to address our concerns in the areas of trade and arms control.

The Order I am issuing today directs the Secretary of State and other Administration officials to pursue resolutely all legislative and executive actions to ensure China abides by international standards. I intend to put the full weight of the Executive behind this order; I know I have Congress's support.

Let me give you an example. The Administration is now examining reports that China has shipped M-11 ballistic missiles to Pakistan. If true, such action would violate China's commitment to observe the guidelines and parameters of the Missile Technology Control Regime. Existing U.S. law provides for strict sanctions against nations that violate these guidelines.

We have made our concerns on the M-11 issue known to the Chinese on numerous occasions. They understand the serious consequences of missile transfers under U.S. sanctions law. If we determine that China has, in fact, transferred M-11 missiles or related equipment in violation of its commitments, my Administration will not hesitate to act.

My Administration is committed to supporting peaceful democratic and pro-market reform. I believe we will yet see these principles prevail in China. For in the past few years, we have witnessed a pivot point in history, as other communist regimes across the map have ceded to the power of democracy and markets.

We are prepared to build a more cooperative relationship with China, and wish to work with China as an active member of the international community. Through some of its actions, China has demonstrated that it wants to be a member of that community.

Membership has its privileges, but also its obligations. We expect China to meet basic international standards in its treatment of its people, its sales of dangerous arms, and its foreign trade.

With one voice, the United States Government today has outlined these expectations.

-30-

BOSNIA

TALKING POINTS -- BOSNIA (MAY 28, 1993)

THIS WEEK'S EVENTS:

NATO representatives met this week to discuss implementation of the five country "Joint Action Program" announced by Secretary Christopher last weekend. The NATO meeting broke up because of opposition to the "safe havens" idea and confusion over how it would be implemented. Mrs. Ogata, the UNHCR commissioner indicated that she was opposed to "safe havens" that would be encircled by troops, fearing that these could become permanent refugee camps. The U.N. passed a resolution establishing a War Crimes Tribunal, but did not give the tribunal the power to extradite alleged war criminals for trial. The "safe havens" resolution does not appear to have enough votes to pass in the U.N. Security Council; although France, Great Britain, the United States and Russia basically support the proposed resolution, most of the non-permanent members seem to view the proposal as "freezing" Serbian gains on the ground and creating "refugee camps in perpetuity. Senator Dole and Congressman Hyde introduced a bill to unilaterally lift the U.S. arms embargo against Bosnia on the grounds that the U.N. arms embargo violates Bosnia's right to self-defense under Article 51.

POINTS:

LAST WEEK'S ANNOUNCED "JOINT ACTION PROGRAM" REWARDS SERBIAN AGGRESSION BY RATIFYING THE STATUS QUO ON THE GROUND; MOREOVER IT SEEKS TO CREATE U.N. SANCTIONED "SAFE HAVENS" WHICH AMOUNT TO CAMPS FOR CIVILIANS.

BUT, FORTUNATELY IT LOOKS LIKE THE SO-CALLED "SAFE HAVENS" IDEA IS SLOWLY DYING; THERE IS LITTLE SUPPORT FOR IT AT THE U.N., SO I HOPE THAT THE U.S. WILL TOSS THIS IDEA ASIDE AND START LOOKING AT OPTIONS THAT REALLY HAVE SOME HOPE OF ENDING THIS WAR.

WITH THE THREAT OF MILITARY PRESSURE RECEDING, THE BOSNIAN SERBS AND THE MILOSEVIC REGIME HAVE HARDENED THEIR POSITION. NOW, THEY ARE BOTH UNWILLING TO ALLOW MONITORS ALONG THE BOSNIA-SERB BORDER. THIS SHOULD COME AS NO SURPRISE -- DIPLOMACY AND SANCTIONS ARE NOT ENOUGH TO BRING THEM AROUND.

THE ADMINISTRATION STATES THAT THE "PREFERRED OPTION" REMAINS THE LIFTING OF THE ARMS EMBARGO AGAINST BOSNIA. LIFTING THE EMBARGO IS THE RIGHT THING TO DO. IT VIOLATES BOSNIA'S RIGHT TO SELF-DEFENSE UNDER ARTICLE 51 -- THAT'S WHY I INTRODUCED A BILL TO TERMINATE THE U.S. ARMS EMBARGO AGAINST BOSNIA.

WHILE I SUPPORT A MULTILATERAL APPROACH, IT SEEMS THAT MULTILATERALISM HAS BECOME THE PRIMARY GOAL OF THE ADMINISTRATION. COMING UP WITH A GOOD POLICY SHOULD COME FIRST, THEN WE SHOULD SEEK TO BRING OUR ALLIES ON BOARD.

Bob Dole



NEWS

U.S. SENATOR FOR KANSAS

FROM:

SENATE REPUBLICAN LEADER

FOR IMMEDIATE RELEASE
MAY 27, 1993

CONTACT: WALT RIKER
(202) 224-5358

END BOSNIA ARMS EMBARGO

DOLE BILL ENDS U.S. ARMS EMBARGO AGAINST BOSNIA:
AMERICA MUST SUPPORT BOSNIA'S RIGHT TO SELF-DEFENSE

Today I am introducing the Bosnia-Herzegovina Self-Defense Act of 1993 -- a bill which terminates the U.S. arms embargo against the Republic of Bosnia-Herzegovina and authorizes no more than \$200 million in military assistance to the government of Bosnia-Herzegovina. I am pleased to have as cosponsors, Senators Lugar, Gorton, D'Amato and Wallop. The issue of lifting the arms embargo against the Bosnian government is not just a question of fairness, but of the rights of Bosnia as a sovereign state and member of the United Nations.

I believe that lifting the arms embargo is the least we can do and I urge the administration to resume the course it set out on four weeks ago. The United States should lead the way in doing what is right. The international community may choose not to follow through on collective defense, but it should not and must not stand in the way of Bosnia's right to self defense.

Good Policy Takes Back Seat to Multilateralism

I know that the President is committed to a multilateral approach -- I support this approach. But, it seems that multilateralism has become the primary goal and good policy the secondary goal. Is the United States going to pursue multilateralism for multilateralism's sake? Or is the United States as the world's only superpower going to construct the best policy and then work to forge a consensus? In my view, it is no great achievement to get an agreement on a policy which amounts to the lowest common denominator.

President Clinton and Secretary of State Christopher maintain that the lifting of the arms embargo against Bosnia remains the "preferred option." Some would argue that we should wait for the Security Council to take action to lift the embargo, but this bill offers an alternative to waiting.

UN Embargo Violates UN Charter

On September 25, 1991, at the request of Yugoslavia, the U.N. Security Council adopted Resolution 713, imposing a mandatory international embargo on all deliveries of weapons and military equipment to Yugoslavia.

This U.N. Security Council action was taken prior to the independence of Bosnia-Herzegovina, prior to the Republic of Bosnia-Herzegovina's admission into the United Nations, and prior to the onset of aggression against Bosnia. The fact is that the

(more)

**TALKING POINTS
BOSNIA-HERCEGOVINA SELF-DEFENSE ACT**

THE BOSNIA-HERCEGOVINA SELF-DEFENSE ACT OF 1993: A BILL WHICH TERMINATES THE U.S. ARMS EMBARGO AGAINST THE REPUBLIC OF BOSNIA-HERCEGOVINA AND AUTHORIZES NO MORE THAN \$200 MILLION IN MILITARY ASSISTANCE TO THE GOVERNMENT OF BOSNIA-HERCEGOVINA. IT LIFTS THE U.S. EMBARGO BY LIFTING THE SUSPENSION OF MUNITIONS EXPORTS LICENSES TO BOSNIA.

COSPONSORS: SENATORS LUGAR, GORTON, D'AMATO AND WALLOP.

ISSUE: LIFTING THE ARMS EMBARGO AGAINST THE BOSNIAN GOVERNMENT IS NOT JUST A QUESTION OF FAIRNESS, BUT OF THE RIGHTS OF BOSNIA AS A SOVEREIGN STATE AND MEMBER OF THE UNITED NATIONS.

EMBARGO BACKGROUND:

ON SEPTEMBER 25, 1991, AT THE REQUEST OF YUGOSLAVIA, THE U.N. SECURITY COUNCIL ADOPTED RESOLUTION 713, IMPOSING A MANDATORY INTERNATIONAL EMBARGO ON ALL DELIVERIES OF WEAPONS AND MILITARY EQUIPMENT TO YUGOSLAVIA -- A STATE WHICH NO LONGER EXISTS.

THIS U.N. SECURITY COUNCIL ACTION WAS TAKEN PRIOR TO THE INDEPENDENCE OF BOSNIA-HERCEGOVINA, PRIOR TO THE REPUBLIC OF BOSNIA-HERCEGOVINA'S ADMISSION INTO THE UNITED NATIONS, AND PRIOR TO THE ONSET OF AGGRESSION AGAINST BOSNIA.

RIGHT TO SELF DEFENSE CONTAINED IN U.N. CHARTER:

ARTICLE 51 OF THE U.N. CHARTER STATES, "NOTHING IN THE PRESENT CHARTER SHALL IMPAIR THE INHERENT RIGHT OF INDIVIDUAL OR COLLECTIVE SELF-DEFENCE IF AN ARMED ATTACK OCCURS AGAINST A MEMBER OF THE UNITED NATIONS, UNTIL THE SECURITY COUNCIL HAS TAKEN MEASURE NECESSARY TO MAINTAIN INTERNATIONAL PEACE AND SECURITY."

CURRENT EMBARGO VIOLATES BOSNIA'S RIGHTS UNDER ARTICLE 51:

--MEASURES TAKEN BY THE SECURITY COUNCIL TO DATE IN RESPONSE TO THE AGGRESSION AGAINST BOSNIA-HERCEGOVINA HAVE BEEN INADEQUATE;

-- CONTINUED APPLICATION TO BOSNIA OF THE ARMS EMBARGO THAT WAS IMPOSED ON THE FORMER YUGOSLAVIA HAS IMPAIRED AND CONTINUES TO IMPAIR BOSNIA'S RIGHT TO SELF-DEFENSE, THEREBY ENCOURAGING FURTHER AGGRESSION.

SHOULD WE REMAIN TIED TO A U.N. SECURITY COUNCIL RESOLUTION WHICH NOW VIOLATES THE U.N. CHARTER?

IN MY VIEW THE ANSWER IS "NO," CIRCUMSTANCES HAVE CHANGED; AT THE TIME THIS DECISION WAS MADE, BOSNIA WAS NOT A SOVEREIGN STATE OR MEMBER OF THE U.N. NOW, THE ARMS EMBARGO DOESN'T MAKE ANY SENSE IN POLICY OR LEGAL TERMS.

WHAT ABOUT MULTILATERAL APPROACH?

I KNOW THAT THE PRESIDENT IS COMMITTED TO A MULTILATERAL APPROACH -- I SUPPORT THIS APPROACH. BUT, IT SEEMS THAT MULTILATERALISM HAS BECOME THE PRIMARY GOAL AND GOOD POLICY THE SECONDARY GOAL.

IS THE UNITED STATES GOING TO PURSUE MULTILATERALISM FOR MULTILATERALISM'S SAKE? OR IS THE UNITED STATES AS THE WORLD'S ONLY SUPERPOWER GOING TO CONSTRUCT THE BEST POLICY AND THEN WORK TO FORGE A CONSENSUS? IN MY VIEW, IT IS NO GREAT ACHIEVEMENT TO GET AN AGREEMENT ON A POLICY WHICH AMOUNTS TO THE LOWEST COMMON DENOMINATOR.

WHAT IS THE PRESIDENT'S POLICY?:

PRESIDENT CLINTON MAINTAINS THAT THE LIFTING OF THE ARMS EMBARGO AGAINST BOSNIA REMAINS THE "PREFERRED OPTION." THIS WAS REPEATED BY SECRETARY CHRISTOPHER ON NIGHTLINE TWO NIGHTS AGO.

THE BOTTOM LINE:

LIFTING THE ARMS EMBARGO IS THE LEAST WE CAN DO AND I URGE THE ADMINISTRATION TO RESUME THE COURSE IT SET OUT ON FOUR WEEKS AGO. THE UNITED STATES SHOULD LEAD THE WAY IN DOING WHAT IS RIGHT. THE INTERNATIONAL COMMUNITY MAY CHOOSE NOT TO FOLLOW THROUGH ON COLLECTIVE DEFENSE, BUT IT SHOULD NOT AND MUST NOT STAND IN THE WAY OF BOSNIA'S RIGHT TO SELF DEFENSE.

BUDGET RECONCILIATION

May 28, 1993

SUMMARY OF THE HOUSE RECONCILIATION BILL

5-Year Totals

Deficit Reduction	\$336.8 billion
Tax Increases	\$275.5 billion
Spending Cuts	\$45.8 billion
User Fees	\$15.5 billion

[See attached chart for year-by-year totals]

HOUSE VOTE ON FINAL PASSAGE

	YEA	NAY	PRES	NV
DEMOCRAT	218	38		
REPUBLICAN	0	175		1
INDEPENDENT	1			
TOTALS	219	213		1

- O THE DEMOCRATS HAVE LARGE MAJORITIES IN BOTH HOUSES OF CONGRESS. IN THE HOUSE, THERE ARE EIGHTY-FIVE MORE DEMOCRATS THAN REPUBLICANS. THE ONLY REASON THURSDAY'S HOUSE VOTE WAS EVEN CLOSE WAS THAT BILL CLINTON HAD A HARD TIME CONVINCING ENOUGH DEMOCRATS TO SUPPORT HIS RECORD-BREAKING TAX INCREASE. EVEN AFTER THE WHITE HOUSE PULLED OUT ALL THE STOPS, 38 HOUSE DEMOCRATS VOTED AGAINST THE CLINTON PLAN.
- O THE TAX INCREASES IN THE HOUSE RECONCILIATION BILL ARE SLATED TO GO INTO EFFECT IMMEDIATELY. IN FACT, MOST ARE RETROACTIVE TO JANUARY 1ST. BUT ONLY 18 PERCENT OF THE SPENDING CUTS IN THE HOUSE BILL WOULD OCCUR BEFORE 1996.
- O ANYONE VOTING FOR THE HOUSE RECONCILIATION BILL IS VOTING FOR SIX DOLLARS AND THIRTY-FIVE CENTS IN TAX AND FEE INCREASES FOR EVERY DOLLAR OF SPENDING CUTS OVER THE NEXT FIVE YEARS.
- O OVER THE NEXT TWO YEARS, THIS BILL WOULD RAISE \$12.77 IN TAXES AND FEES FOR EVERY DOLLAR OF SPENDING CUTS.
- O MORE THAN \$33 BILLION OF THE SO-CALLED "CUTS" IN THIS BILL WOULD NOT BE CONSIDERED "CUTS" ANYWHERE BUT IN WASHINGTON, D.C. WHERE THE GOVERNMENT BUDGET PROCESS ALLOWS CONGRESS TO EXTEND CURRENT LAW AND COUNT THAT AS A SPENDING CUT. ONLY ABOUT 5 PERCENT OF THE DEFICIT REDUCTION IN THIS BILL -- \$18.5 BILLION -- COMES FROM REAL CUTS IN CURRENT PROGRAMS.
- O DISCRETIONARY SPENDING IS NOT PART OF THIS BILL. THE PRESIDENT'S PLAN CALLS FOR DISCRETIONARY SPENDING AT OR ABOVE THE LEGAL CAP IN 1994 AND 1995. AS A RESULT, WE WILL NOT SEE ANY NET DISCRETIONARY SPENDING CUTS UNTIL 1996.

RECONCILIATION RATIOS

(HOUSE-REPORTED BILL, \$ BILLIONS)

	1994	1995	1996	1997	1998	1994-98
SPENDING REDUCTIONS.....	-1.7	-4.5	-9.1	-14.0	-16.6	-45.8
USER FEES.....	2.3	2.6	3.9	3.3	3.4	15.5
REVENUE INCREASES.....	32.7	41.6	54.8	73.8	72.6	275.5
RATIO OF TAXES AND USER FEES TO SPENDING CUTS	\$20.68 to 1	\$9.77 to 1	\$6.47 to 1	\$5.52 to 1	\$4.58 to 1	\$6.35 to 1

NOTE: BASED ON CBO/JCT ESTIMATES.

THE PRESIDENT'S PLAN CALLS FOR ONLY
\$6.2 BILLION IN SPENDING CUTS BEFORE 1996

- THE HOUSE RECONCILIATION BILL CALLS FOR \$45.8 BILLION IN MANDATORY SPENDING CUTS OVER 5 YEARS. BUT, ONLY \$6.2 BILLION IN CUTS WOULD OCCUR BEFORE FY 1996.
 - THE PRESIDENT'S PLAN CALLS FOR \$47 BILLION IN NET DISCRETIONARY SPENDING CUTS OVER 5 YEARS, BUT DISCRETIONARY SPENDING IS NOT PART OF THE RECONCILIATION BILL.
- EVEN IF IT WERE, THE PRESIDENT'S PLAN CALLS FOR DISCRETIONARY SPENDING AT OR ABOVE THE LEGAL CAPS IN 1994 AND 1995. THE BOTTOM LINE: \$0 IN DISCRETIONARY SPENDING CUTS BEFORE FY 1996.

IN PROGRESS: ROLL NO. 199 YEA-AND-NAY TIME REMAINING FINAL
AUTHOR(S):
ON PASSAGE

OMNIBUS BUDGET RECONCILIATION ACT OF 1993

	YEA	NAY	H R 2264 PRES	NOT VOTING
DEMOCRATIC	218	38		
REPUBLICAN		175		1
INDEPENDENT	1			
TOTALS	219	213		1

TIME REMAINING FINAL

N Andrews (NJ)	N Margolies-Mezvinsky
N Baesler	N McHale
N Browder	N Minge
N Chapman	N Orton
N Clement	N Pallone
N Condit	N Parker
N Coppersmith	N Pickett
N Danner	N Roemer
N Deal	N Rowland
N Edwards (TX)	N Sarpalius
N English (OK)	N Skelton
N Geren	N Swett
N Hall (TX)	N Taylor (MS)
N Hayes	N Traficant
N Holden	N Wilson
N Johnson (SD)	
N Klein	
N Laughlin	
N Lehman	
N Lipinski	
N Long	
N Maloney	
N Mann	

ROLL NO. 199

DEMOCRATIC - NAYS -

N	Baesler	Y	Hamburg	Y	Reynolds
Y	Barcia	Y	Harman	-	Romero-Barcelo (PR)
Y	Barlow	Y	Hastings	Y	Roybal-Allard
Y	Barrett (WI)	Y	Hilliard	Y	Rush
Y	Becerra	Y	Hinchey	Y	Schenk
Y	Bishop	N	Holden	Y	Scott
Y	Brown (FL)	Y	Inslee	Y	Shepherd
Y	Brown (OH)	Y	Johnson (GA)	Y	Strickland
Y	Byrne	Y	Johnson, E. B.	Y	Stupak
Y	Cantwell	N	Klein	Y	Tejeda
Y	Clyburn	Y	Klink	Y	Thompson
N	Coppersmith	Y	Kreidler	Y	Thurman
N	Danner	Y	Lambert	Y	Tucker
N	Deal	N	Maloney	-	Underwood (GU)
Y	Deutsch	N	Mann	Y	Velazquez
Y	English (AZ)	N	Margolies-Mezvinsky	Y	Watt
Y	Eshoo	N	McHale	Y	Woolsey
Y	Fields (LA)	Y	McKinney	Y	Wynn
Y	Filner	Y	Meehan		
Y	Fingerhut	Y	Meek		
	Furse	Y	Menendez		
	Green	N	Minge		
Y	Gutierrez	Y	Pomeroy		

ROLL NO. 199 1ST TERM MEMBERS -DEMOCRATIC- NAMES -

51-11

62 TOT

Taxes and Spending Over 5 Years Under the Budget Resolution

CBO/Joint Tax Estimates (In Billions of Dollars)

	Reconciliation Instructions	Appropriation Bills Over the Next 5 Years	Total
Revenues			
Increase	+336	-0-	+336
Decrease	-64	-0-	-64
Net Increase	+272	-0-	+272
User Fees			
	+16	+2	+18
Spending			
Increase	+26	+28	+54
Decrease	-81	-75	-156
Net Decrease	-55	-47	-102
Total	-343	-49	-392

Notes: The Budget Resolution does not include the stimulus package.

Interest Savings not shown. TOTAL DEFICIT REDUCTION INCLUDING INTEREST:

Source: Senate Budget Committee, Minority Staff, May 19, 1993

\$440 BILLION

May 27, 1993

MEMORANDUM TO THE REPUBLICAN LEADER

FROM: David Taylor *David*

SUBJECT: Analysis of the \$223 Billion in Cuts Claimed by Supporters of the Clinton Plan

These alleged spending cuts would reduce the deficit by a total of \$186 billion over 5 years. But, there are only \$102 billion in new spending cuts in the plan. The remainder of the deficit reduction comes from user fees -- \$18 billion -- and interest savings -- \$66 billion.

ANALYSIS OF SPENDING CUTS CLAIMED IN THE CLINTON ECONOMIC PLAN
(\$ in billions)

<u>What They Claim</u>	<u>Why It Is Wrong</u>	<u>Actual Cuts</u>
\$71 B Mandatory Cuts	1) Includes \$16 B in user fees	\$55 B
\$106 B Defense Cuts	1) Includes defense cuts already approved by Congress -- \$30 B	\$75 B
(\$19 B) Non-defense Discretionary Spending <u>Increase</u>	1) Includes \$2 B in user fees 2) Should be increased \$7 billion to reflect baseline differences	(\$28 B)
\$66 B in Interest	1) While interest savings will reduce the deficit, they should not be counted as spending cuts.	
TOTAL -- \$223 Billion		TOTAL -- \$102 Billion

May 28, 1993

THE WEEKLY ECONOMIC REPORT

Executive Summary

In the face of mounting opposition to his economic program -- now up to 45 percent, last night's reconciliation vote became a critical test for Bill Clinton. "The stakes for President Clinton are sky high.... Not only is his deficit reduction plan, the backbone of his agenda, on the line but so is his image -- the prestige of his presidency" (Bernard Shaw CNN, 5/26). The House vote was initially planned as a momentum-builder for the President's plan, but, in the end, it was a hard-fought test of Democrat loyalty to the President. Clinton called his narrow victory a triumph of "growth over gridlock."

Economic news remains mixed. While home and auto sales moved up in May, consumer confidence declined, and orders for durable goods remained flat. The Fed's willingness to lift the lid on short-term interest rates has temporarily eased fears of higher inflation, but a wider-than-expected March trade deficit, adds to concerns that actual first quarter growth may be lower than the Commerce Department projected earlier in the year (1.8 percent).

Recent Economic News

- o Actual first quarter GDP growth was only 0.9 percent according to figures released today from the Commerce Department. That is less than one-fifth the 4.7% rate in the fourth quarter of 1992 (5/28). The first quarter was the weakest since the fourth quarter of 1991.
- o This month, **consumer confidence** fell to its lowest level since before Bill Clinton's election. A weak job market, a worldwide recession, and concerns about the Clinton economic program contributed to the larger-than-expected decline (5/25).
- o The **U.S. merchandise trade deficit** widened from \$7.9 billion in February to \$10.2 billion in March, the largest trade gap in nearly 4 years (5/19).

- o In April, unemployment held steady at 7.0% for the third month in a row (5/7). The number of Americans filing initial unemployment claims remained unchanged last week (5/27), but the 4-week average of new claims did drop slightly.

Reactions from the White House and Capitol Hill

- o **Speaker Foley** said, "This is a responsible vote and members who vote for this bill will not suffer political fallout as a result" (5/27). Earlier in the week, he predicted, "I think the BTU tax is going to survive substantially as it is." (5/25)
- o **Senator Mitchell** said, "After this [Boren-Danforth] alternative and other alternatives are presented and rejected in the Finance Committee, I am confident that the President's plan will be adopted largely intact." (5/20)
- o **Freshman Congressman David Mann (D-OH)** said, "There is just a lack of trust that we will use any tax increase for deficit reduction.... Every place I go people say cut spending first, then cut some more, and then we'll talk about taxes." (5/25)

What the Experts Are Saying

- o **The National Association of Business Economists** asked 37 professional economists to estimate the cumulative 5-year deficit reduction that would "actually result" from the Clinton economic plan. The average forecast indicated that over 5 years the Clinton plan would cut the deficit by less than \$70 billion. Almost 25 percent of those questioned thought the Clinton plan would actually increase the deficit (5/26).
- o In a speech to the European parliament, **European Commission President Jacques Delors** said the European Community faces the worst economic slowdown since World War II (5/25).
- o **CNN pollster Bill Schneider**, said, "Apparently, the more people find out about the President's plan, the more they oppose it. No wonder it's in trouble in Congress." (5/24)

May 28, 1993

WHITE HOUSE TRAVEL OFFICE

- * The so-called Travelgate affair is more than "amateur hour," even more than the appearance of political cronyism. It is about the integrity of our nation's fundamental institutions.
- * The American people deserve to have confidence in an FBI that makes its decisions free of political considerations. That's why it's so important for the Administration to come clean and get all the facts out on the table--the good, the bad, and the ugly ones.
- * We should all be concerned when high-level FBI officials are summoned to the White House to participate in "political strategy sessions." Politics and law enforcement do not, and should not, mix.
- * I have written to Senator Biden requesting a Judiciary Committee hearing. All the Republican Members of the Judiciary Committee have made a similar request. The House Republican Leadership (Michel, Gingrich, Armey, and Hyde) have written to Jack Brooks requesting that he schedule a House Judiciary Committee hearing no later than June 9.

"TRAVELGATE" CHRONOLOGY--draft

A. Political Cronyism

- * Monday, February 15: Catherine Cornelius, 25 year-old cousin of Bill Clinton, writes a memo to David Watkins, Director of the White House Office of Management, about "questionable practices" in the White House Travel Office. The memo complains that the Travel Office was "overly pro-press." It also suggests that Cornelius should be named co-director of the Travel Office. (New York Post, May 22)
- * Sometime in February: Darnell Martens, a business partner of Harry Thomason in Thomason, Richland & Martens, which coordinated the plane charter operation for the Clinton campaign, meets with Billy Dale, the head of the Travel Office. Martens asks Dale how the nine airline charter companies that had supplied planes for the Clinton campaign could bid on the White House business. Dale responds: "I have been here 31 years, and no one has seen fit to relocate me with commercial operations yet. So until they do, I will continue to handle this without your help." (Los Angeles Times, May 23)
- * Sometime In February: Thomason allegedly meets with President Clinton and says "You know, I think you have a problem. But I'm not going to bore you with all the details of it." (Los Angeles Times, May 23)
- * Monday, May 10: Thomason and Martens meet with Watkins to discuss the Travel Office. A memo by Martens which appeared to solicit charter business is faxed to the White House. (Washington Post, May 24)
- * Wednesday, May 12: Watkins meets with William Kennedy, associate general counsel and a former partner of Hillary Rodham Clinton and Webster Hubbell at the The Rose Law Firm. Kennedy reportedly recommends that Watkins hire outside auditors to review the Travel Office's records.
- * Thursday, May 13: Kennedy summons Frederick Verinder, deputy assistant director of the FBI, to the White House to propose that the FBI investigate the Travel Office. (Washington Post, May 24)

Questions:

1. Who authorized Kennedy to make the contact with the FBI?
2. How did Kennedy know who to contact at the FBI to arrange a meeting to discuss the White House Travel Office?
3. Who authorized Verinder to attend a White House meeting

convened by Kennedy? Was it Sessions?

- * Thursday, May 13: Watkins contacts Peat Marwick and asks them to conduct an "audit." (Washington Post, May 24)

Question:

1. How was it decided to have the Peat Marwick accounting firm audit the Travel Office, when was that decision made, and what relationship, if any, exists between the "audit" and Vice President Gore's national performance review?
- * Thursday, May 13: FBI agents deliver Travel Office data to Thomas Kubic, chief of the Justice Department's white collar crime section. (Safire, New York Times, May 27)
 - * Friday, May 14: Kubic takes Travel Office data to Jerry McDowell, a member of the Justice Department's Fraud Section. (Safire, New York Times, May 27)
 - * Friday, May 14-Sunday, May 16: Peat Marwick conducts "audit" of Travel Office under the supervision of Watkins. (Associated Press, May 24)
 - * Saturday, May 15: FBI agents meet with auditors from Peat Marwick to review the preliminary findings of the "audit." (Associated Press, May 24)
 - * Monday, May 17-Tuesday, May 18: Travel Office data is sent to John Keeney, acting chief of the Justice Department's Criminal Division, who reassigns it to Joseph Gangloff, head of the Public Integrity Section. (Safire, New York Times, May 27).
 - * Wednesday, May 19: The White House announces the firings of all seven employees of the Travel Office, claiming "gross mismanagement," uncovered as part of a "government performance review spearheaded by the Vice President." Dee Dee Myers says that "a hasty outside audit" found very "shoddy accounting practices and the FBI would probably be called in." (Reuters Library, May 24) Thomason stood in the back of the briefing room when Myers made the announcement. (Associated Press, May 24)
 - * Wednesday, May 19: White House media director, Jeff Eller, who is dating Cornelius, briefs reporters on "mismanagements." (Boston Globe, May 23)
 - * Wednesday, May 19: Cornelius is hired as co-director of the Travel Office.
 - * Wednesday, May 19: A two-page "Urgent Report" is forwarded by Keeney to Attorney General Reno, copy to Hubbell.

(Safire, New York Times, May 27)

- * Thursday, May 20: The White House hires World Wide Travel to handle the Travel Office charter business on a temporary basis. World Wide Travel is a former client of Watkins, an advertising executive from Little Rock. The owners of World Wide Travel were also major contributors to the Clinton campaign.

B. The Controversy Erupts

- * Friday, May 21: CNN and Reuters unearth Cornelius memo of February 15.
- * Friday, May 21: The White House severs relationship with both Cornelius and Worldwide Travel.

C. Damage Control/Abuse of Power

- * Friday, May 21: A "political strategy" meeting is held in the White House offices of George Stephanopoulos. Those who attended this meeting include: FBI Public Affairs Director John Collingwood, White House counsel Bernard Nussbaum, Myers, and Watkins. After the meeting, the White House publicly releases the Peat Marwick "audit" and issues a statement on FBI/Justice Department stationery stating that "additional criminal investigation is warranted" into the practices of the Travel Office. (Reuters Library, May 24)

Questions:

1. Who authorized White House officials to summon Collingwood to the White House?
2. Who authorized Collingwood to meet with White House officials, and in particular, was FBI Director Sessions aware that the meeting had been requested?
3. What was said at the White House meeting? In particular, how was it decided that a press statement on the stationery of FBI Director Sessions would be issued confirming that an FBI criminal investigation was underway?
4. Who drafted the press statement?
5. Who authorized Collingwood to issue the press statement to the White House?
6. Would the FBI ordinarily issue a press statement confirming that a criminal investigation was underway when the investigation was only at the preliminary stage that the Travel Office investigation had reached?

- * Friday, May 21: According to Rick Millinor, president of Ultrair, the company that handled most White House charters before the shake-up of the Travel Office, three Internal Revenue Service agents show up unannounced at the firm's offices in Smyrna, Tennessee, saying they were conducting their own audit of Ultrair and handing over a summons for company records. The IRS agents told company officials they had read about the White House travel controversy in the press and "had some concerns that the relationship between Ultrair and the White House wasn't on the up and up." (Washington Post, May 26)

Question:

1. Who authorized agents of the IRS to seize records of Ultrair, including Ultrair's records related to its dealings with the White House?

D. Backpedalling

- * Monday, May 24: Vice President Gore says he knows nothing about an audit of the Travel Office.
- * Tuesday, May 25: Attorney General Janet Reno complains that White House officials had ignored policies designed to prevent politicizing the FBI.
- * Tuesday, May 25: The White House announces that Mack McLarty and Leon Panetta will conduct internal White House review of Travelgate.
- * Tuesday, May 25: The White House announces that five of the seven original Travel Office employees have been placed on administrative leave with pay.