

ABC

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This Week With David Brinkley Topic: The President and the Congressional Budget Battle. Guests: Treasury Secretary Lloyd Bentsen and Sen. George Mitchell, D-Maine.

NBC

Meet the Press Topic: Clinton's Budget and the Congress. Guests include Sen David Boren, D-Okla.

CBS

Face the Nation Topic: The Clinton Economic Plan - Strategy in the Senate. Guests: Sens. Max Baucus, D-Mont., William Bradley, D-N.J., and John Breaux, D-La.; and William Bennett, co-director, Empower America; and Joe Klein, senior editor, Newsweek.

CNN

LIVE 10:30 AM - CAR AT 9:45 AM AT WATERGATE

Newsmaker Sunday with Frank Sesno Topic: Politics, the Budget and the Supreme Court. Guests include: Sen. Bob Dole, R-Kansas, majority leader.

Air times: 10:30 a.m.; 5:30 p.m.

"THE YEAR OF THE TAXPAYER"

◆ THE TEXAS & L.A. ELECTIONS SENT 2 DISTINCT MESSAGES TO ALL OF US:

1) CUT SPENDING FIRST -- THIS IS "THE YEAR OF THE TAXPAYER"

2) BOTH ELECTIONS REFLECT PEOPLE OF ALL PARTIES AND ALL ETHNIC BACKGROUNDS COMING TOGETHER LOOKING FOR THE "CHANGE" OFFERED BY REPUBLICAN LEADERSHIP. THE AMERICAN PEOPLE WANT US TO WORK TOGETHER -- THEY SEE REPUBLICANS AS PART OF THE SOLUTION -- IT'S TIME FOR PRESIDENT CLINTON TO REACH OUT TO US AND ABANDON HIS ONE-PARTY GOVERNMENT STRATEGY.

◆ THE PRESIDENT'S POPULARITY IS LOW BECAUSE HIS POLICIES ARE UNPOPULAR. PEOPLE LIKE PRESIDENT CLINTON -- THEY DON'T LIKE WHERE HE'S TAKING AMERICA.

(WSJ POLL, ONLY 27% SAY U.S. HEADED IN RIGHT DIRECTION).

◆ I HAVE A DIFFERENT VISION FOR AMERICA.

- SPENDING CUTS FIRST
- POLITICS OF OPTIMISM
- INCLUDE EVERYONE IN PURSUIT OF THE AMERICAN DREAM

Make It Year of the Taxpayer, Not of the Tax

■ Voters in Texas have sent
a message to Washington:
Cut spending first.

1993 should be the Year of the Taxpayer. But if the Senate can't muster enough courage to defeat President Clinton's massive, \$275-billion tax-increase plan, 1993 will be remembered simply as the Year of the Tax.

The good news is the American people are catching on. Take a look at Los Angeles and Texas.

In L.A., voters elected Richard Riordan, the first Republican in three decades to run that city. It was the latest proof that people of all parties and ethnic backgrounds are looking to Republican leadership to help solve our national and urban challenges, including job creation and fighting crime.

Meanwhile, in electing Republican Kay Bailey Hutchison this past weekend to the U.S. Senate with an astounding 67% of the vote, the people of Texas have sent all of us in Washington—the President, Democrats and Republicans alike—an unmistakable message: cut spending first, and junk the Clinton tax agenda. Make 1993 the Year of the Taxpayer.

Worried Democrats are doing their best to put a happy face on the 2-1 Texas blowout and the stunning Riordan victory. But if President Clinton's narrow 5-point victory over President Bush was a message of "change," then the 34-point Texas win isn't just a message, it's a direct order to steer away from Clinton's taxes and toward spending cuts that his plan simply doesn't deliver.

Republicans simply can't support a bloated tax package that raises \$6.35 in taxes and fees for every dollar in cuts during the next five years, socks taxpayers with \$20 in taxes for every dollar cut in the first year and has already been silently taxing many Americans retroactively since Jan. 1.

OK
The Year of the Taxpayer can be a reality if our Democrat colleagues join us in this mission. Just as Senate Republicans proposed a deficit-reduction plan in March to slash the deficit more than the President proposes without raising taxes, we will offer a common-sense alternative that will put the focus on real spending cuts: drop all of the President's proposed "investments," which are nothing but new spending; pull the plug on the sinister "broad-based energy tax"; kill the rest of the Clinton tax increases—all of them; consider all of the President's spending cuts; limit the growth of non-Social Security entitlement programs and freeze most other government programs for at least one year.

Last week, I traveled to Kansas, Cali-

TO RUN IN L.A. TIMES
ON SUNDAY

'Republicans simply can't
support a bloated tax package
that raises \$6.35 in taxes and
fees for every dollar in cuts
during the next five years.'

fornia and five other states, and here's what the American people are telling us:

- Don't kill job creation with big new taxes on employers.

- Don't tell us you're raising taxes on the so-called rich, when most of those taxes fall on Main Street businessmen and women, many of whom pay taxes as individuals, not wealthy corporations.

- Don't raise taxes retroactively to Jan. 1, 1993—it's unfair, and besides, President Clinton wasn't even in office then.

- Don't raise taxes on senior citizens' Social Security benefits and then use the money for more spending and not deficit reduction.

- If it survives, the BTU energy tax would result in higher costs to consumers, and huge job losses for workers. In most of America, BTU stands for Big Time Unemployment.

- The bottom line is, cut spending first.

The White House says it is willing to make some minor changes, but unless it wakes up to the message from Texas and performs major reconstructive surgery, the American taxpayers will be scarred for life. And let's face it, Democrats compromising with Democrats won't do the trick—voters in Texas and L.A. are convinced that Republicans are part of the solution, not part of the background. The Democrat majority may have the muscle to pass this devastating tax package, but few Americans will be applauding the political "victory."

President Clinton should scrap his high-tax, low-spending-cut package and start over with Democrats and Republicans working together to cut spending first before we ask the American taxpayers to sacrifice one dime. We hear that the BTU tax is dead, but don't start celebrating yet. Democrats say they are open to energy tax alternatives, so long as they "tax energy consumers, not producers."

If the President heeds the warning from Texas and California, changes course and works on a bipartisan basis to bring down the deficit by cutting spending first, we may be able to thank the voters of Texas for saving the American economy. The stakes are high. If we can work together to carry out the Texas/L.A. mandate, we can make the Year of the Taxpayer a year to remember.

Bob Dole of Kansas is the Senate Republican Leader.

SUPREME COURT NOMINATIONS

SUPREME COURT NOMINATION

- * Justice White, whose seat President Clinton is seeking to fill, is a Democrat appointed by President Kennedy. I sincerely hope that President Clinton, as he continues the selection process, will choose someone who appreciates, as Byron White does, that judges are not free to substitute their own policy preferences for the written law.
- * Whether a nominee is politically liberal or conservative on policy issues is irrelevant. What matters is that we have a nominee who will neutrally apply the laws, not one who will impose his own policy preferences.

Re: Judge Stephen Breyer

Bio:

--Nominated to 1st Circuit Court of Appeals by President Carter, 1980, appointed in 1981 (Pres. Reagan). Elevated to Chief Judge 1st Circuit Court of Appeals, 1990.

--Born August 15, 1938 in San Francisco

--**Education:** Stanford Univ., A.M., 1959; Oxford Univ., B.A., 1961; Harvard Univ. LL.B., 1964.

--**Government Positions:** Law Clerk, Justice Goldberg, U.S. Supreme Court, 1964-65; Special Asst. to Attorney General, Antitrust, 1965-67; Assistant Special Prosecutor in Watergate Investigation, 1973; Special Counsel (staff director for investigation of the Civil Aeronautics Board), Administrative Practices Subcommittee, Senate Judiciary Committee, 1974-75; Chief Counsel, Senate Judiciary Committee, 1979-80.

--**Academic Positions:** Asst. Professor of Law, Harvard Univ., 1965-70; Professor (antitrust, administrative law, economic regulation), 1970-80; Professor, Kennedy School of Government, Harvard Univ., 1977-80.

Judge Breyer has taught and written about a range of legal issues, but is best known for his work in antitrust and economic regulation. He generally argues that regulation should be used only as a last resort. As Judge Ginsburg summarized Breyer's work in a book review of Breyer's Regulation and Its Reform, (1982), "he starts with a strong presumption in favor of unregulated markets" and when he does propose regulation, that regulation should "be as well-tailored as possible to the correction of specific defects in the market outcomes." 20 Harv. J. on Leg. 647 (1983).

Judicial Philosophy

Judge Breyer believes that judges should not impose their own values or policy judgments, but should rather apply the law impersonally and objectively. "I have always thought that one of the reasons we wear black robes is that justice should be anonymous. The rule of law should be independent of the personality of the judge that happens to be hearing the case. Although this does not always happen, nonetheless it is the ideal." Judicial Proceedings -- D.C. Circuit, 140 F.R.D. 481, 579 ().

Judge Breyer is deferential to Congressional intent when interpreting statutes and finds legislative history helpful as a guide in dealing with otherwise unclear statutes. See, Breyer, The 1991 Justice Lester W. Roth Lecture: On the Uses of Legislative History in Interpreting Statutes, 65 S. Cal. L. Rev. 845 (1992). In this lecture, Judge Breyer "focuses on the 'law-declaring function' of federal appellate courts" including the assumption that courts are "in part administrative institutions that aim to help resolve disputes and, while doing so, interpret, and thereby clarify, the law." Id. at 847.

He assumes that the law is a human institution and therefore is subject to criticism in terms of "certain pragmatic values, including both formal values, such as coherence and workability, and widely shared substantive values, such as helping to achieve justice by interpreting the law in accordance with the 'reasonable expectations' of those to whom it applies." Id. Further illuminating his analysis of "reasonable expectation," Judge Breyer discusses the need for judges to adhere to the purposes of the democratically elected legislators, and others involved in the legislative process, who create the statutes that judges interpret: "[T]he result suggested by any . . . 'purpose-free' [interpretation] would be pointless and wrong, for it would not comport with the legislators' basic statutory objectives." Id. at 855. Moreover,

the incompatibility between the result we could have reached [ignoring statutory history] and those [aforementioned] congressional objectives [expressed in the legislative history], seen from a general institutional or governmental perspective, would be undesirable. The undesirability consists, not simply of the fact that [the legislation's sponsors] are democratically elected, but also of the fact that the statute's general objectives (and the detailed provisions needed to implement the objectives) reflect far more than the work of the two [bill sponsors] themselves. The objectives, and the detailed provisions, reflect the work of all the representatives of the [industry] community involved in the legislative process that produced the [] bill. . . . To reach a result inconsistent with their work denies the public a significant part of the benefit of their expertise More significantly, reaching such an inconsistent result defeats the reasonable expectations of the many individuals and groups involved in the legislative process.

Id. at 855-56.

Judge Breyer suggests that he tries to be deferential to the lower court when reviewing cases: "the district court's opinion is always on my mind. I continually use it as a touchstone, asking myself what, if anything, is wrong with it." Judicial Proceedings -- D.C. Circuit, 140 F.R.D. 481, 582 (). In probable cause cases for instance, Judge Breyer follows the law allowing doubts about probable cause to be resolved in favor of the police and magistrate where the evidence is "sufficient to create

disagreement among thoughtful and competent judges." U.S. v.
Butler, 763 F.2d 11, 14 (1st Cir. 1985).

High Court Race: Breyer the Judge Or Babbitt the Pol?

In the famous story, a colleague once said goodbye to Justice Oliver Wendell Holmes by urging, "Do justice, sir, do justice." Holmes replied, "That is not my job. It is my job to apply the law."

President Clinton's two apparent finalists for the Supreme Court offer something like that classic choice—the legal rigor of Holmes, or the open-ended "justice" of a political jurist. His choice will say a lot about his move "to the center."

The Holmesian is Appellate Court Judge Stephen Breyer, a Democrat admired by many Republicans. Judge Breyer, says Utah Republican Orrin Hatch, would sail through the Senate "100-0, I'd bet." The political choice is Bruce Babbitt, the interior secretary and former Arizona governor, who would be a lunge in the dark. Mr. Babbitt might be confirmed, but not without rough Senate scrutiny.

If this seems an easy call, remember this is Bill Clinton. Easy is not in his dictionary. Justice Byron White announced his resignation way back in March. Judge Breyer has been known to the White House all along. Yet Mr. Clinton has hemmed, hawed and fretted over a host of other, more political (and liberal) names.

First was New York Gov. Mario Cuomo, who turned him down. Next was Jon Newman, a judge who showed his colors by campaigning against Clarence Thomas. Then came Gilbert Merritt, another judge who raised doubts once word spread about his politics. (His "reflections" for his 25th Yale reunion in the 1980s began: "I am concerned that the reactionary period we are going through will be harmful to country. . . .")

Now comes Mr. Babbitt, the most startling name of all. He has no experience as a judge and less legal experience than Clarence Thomas, who was criticized by liberals for lack of experience. What he does have is political skill and a reputation as a "moderate." In his 1988 presidential bid, he ran as a Democrat ahead

Potomac Watch

By Paul A. Gigot

of his time by foreshadowing Mr. Clinton's 1992 themes.

One suspicion is that Mr. Clinton wants a pol in his own image to schmooze the Supreme Court's malleable middle of Justices Sandra Day O'Connor, David Souter and Anthony Kennedy into uniting with the left (Justices John Paul Stevens and Harry Blackmun). His special target is thought to be Justice O'Connor, who was appointed to the Arizona bench by then-Gov. Babbitt.

This is probably a forlorn hope, but it's still disturbing, because it suggests that Mr. Clinton sees the court less as a judicial body than as just another political institution. He seems to think a political moderate is the same as a judicial moderate.

Recent GOP presidents have chosen sitting judges because they have some recorded philosophy of judging. But politicians are the ultimate wild cards. FDR chose Hugo Black, a senator who became the only justice in history with an absolutist view of the First Amendment. And Eisenhower regretted his choice of Earl Warren, a governor who made the court a de facto legislature.

Mr. Babbitt has given hints that he's of the Warren school. Attacking Robert Bork in a 1987 speech, according to the Washington Post, he said that "the job of a Justice is justice. That means searching deeply into the aspirations of our Constitution." As Holmes knew, this is boilerplate for reading whatever one likes into the Constitution.

More revealing yet, Mr. Babbitt seems to have cashiered a legal opinion he didn't like at Interior. Last July, the Western Region of the National Park Service moved to include "sexual orientation" in its affirmative-action policy. A memo was drafted to ban Boy Scout volunteers from the parks because the Scouts bar gay scoutmasters.

On Jan. 19 of this year, Assistant Secretary John Schrote, a Bush appointee, revoked that policy change. He said the Interior Department's solicitor and "the weight of judicial decisions" show that Congress ex-

pressively did not include gays under the Civil Rights Act of 1964. "This is a matter that must be left to Congressional action rather than administrative fiat," Mr. Schrote wrote.

But on Jan. 28, Mr. Babbitt was quoted in the San Francisco Exam-



Bruce Babbitt

iner as saying he was "inclined to the view that we should consider rescinding the [Schrote] directive and restoring" the Western "policy." On Feb. 16, Mr. Babbitt's acting Assistant Secretary Brad Leonard issued a memo doing exactly that.

A spokesman says Mr. Babbitt would never ban the Boy Scouts, and I agree he wouldn't be that stupid. But the bigger issue for someone aspiring to the Supreme Court is how Mr. Babbitt could justify overruling a decision clearly based on law and the intent of Congress. Did he first get another legal opinion? And if gays are already covered under the civil-rights laws, why are there bills now in Congress to include such coverage? The episode suggests a Justice Babbitt would let his own preferences overrule legislatures.

Mr. Breyer, by contrast, is described by one noted judge as "a liberal, but a good sound judge, in the old Harvard tradition of judicial restraint," a la Felix Frankfurter. Mr. Breyer was the last Carter appointee confirmed by the Senate—confirmed even after the 1980 election because of his bipartisan support. For a president who needs a victory, this choice really is easy.

BRUCE BABBITT--June 8, 1993

- * 1960--graduated from Notre Dame University
- * 1961 to 1962--Oxford University, Marshall Scholar
- * 1965--graduated from Harvard Law School
- * 1966 to 1967--Special Assistant to the Director of VISTA
- * 1968--private legal practice in Phoenix
- * 1974--elected Attorney General of Arizona
- * 1978, 1982, 1986--elected governor of Arizona for three successive terms
- * 1987--leaves the governorship to run for President
- * 1989 to 1992--President of the League of Conservation Voters affiliated with the Steptoe & Johnson law firm
- * 1993--named Secretary of the Interior

Religion: Roman Catholic

Age: 54

Marital Status: Married; two sons

Some potential pitfalls:

* **Babbitt and the Boy Scouts.** According to Don Devine, Interior Secretary Babbitt reinstated an order forbidding the Boy Scouts from volunteering in the national parks because the Scouts refused to admit known homosexuals. See attached Washington Times op-ed (May 28, 1993). There may be more smoke than fire here, but we are trying to track down all the facts.

* **FBI Probe into Alleged Gambling Debts.** In 1977, the FBI conducted an investigation into allegations that Babbitt, who was then Arizona State Attorney General, had run up gambling debts at several Las Vegas casinos and later received mob payoffs. After an eight week investigation, the FBI concluded that it had "failed to substantiate the allegations."

In 1986, the Arizona Attorney General, Bob Corbin, reviewed a tape recording between a police informant and a man linked to the Phoenix greyhound racing tracks. The tape allegedly contained some damaging statements about Babbitt, including the charge that he received a \$45,000 payment from a mob source. Corbin has admitted to reviewing the tape, but failed to pursue the matter for lack of evidence.

Babbitt has denied all the allegations, calling them "nonsense" and "ruthless attempts to destroy my reputation."

The Washington Times has run front-page stories detailing these allegations.

* **Babbitt on Gay Rights.** During the 1988 Presidential campaign, Babbitt said that, if elected President, he "would issue an executive order banning discrimination on the basis of sexual preference in all government hiring, including the military." New York Times, June 23, 1987.

* **Babbitt on Bork.** In a speech to the NAACP, Bruce Babbitt made the following observation about the nomination of Robert Bork: "Mr. President, your nominee is wrong. And Mr. President, we are going to turn him back." Babbitt added: "The Supreme Court is our highest exponent of the spirit of the law. We must have justices whose philosophies are consistent with that calling, and Robert Bork, in my view, will never pass that test." Babbitt concluded by saying that Bork's judicial philosophy amounted to a "miserly and constricted assessment of the highest law of the land." Associated Press, July 8, 1987.

* **Past Drug Use.** Clarence Thomas admitted smoking marijuana as a college student, and that didn't hurt his nomination. It was considered a youthful indiscretion. President Reagan's nomination of Douglas Ginsburg, on the other hand, was withdrawn when Ginsburg admitted to having smoked marijuana as a young law professor. Apparently, as a professor, Ginsburg could not rely on the "youthful indiscretion" defense.

According to an Associated Press wire story, dated November 7, 1987, Babbitt explained his past marijuana use as follows: "I was a college student in the 1960s and a civil rights lawyer down South. Sure, I tried marijuana."

If this quote is accurate, Babbitt seems to be admitting that he smoked marijuana when he was a practicing attorney. Is there any difference between Babbitt's behavior and the behavior of Ginsburg?

* **Three Arizonans.** If confirmed, Babbitt will join Chief Justice Rehnquist and Justice O'Connor as the third Arizonan on the Court. He will also be the second member of the Court who has sought political office. (O'Connor was a member of the Arizona State Legislature.)

* **Lack of Experience on Constitutional Matters.** Babbitt appears to lack experience on constitutional matters. For example, during his confirmation hearing, Babbitt was asked the following question about the "takings" clause of the Fifth Amendment: "The Fifth Amendment to the Constitution of the United States contains the phrase 'No person shall be...deprived of...property without due process of law, nor shall private property be taken for public use, without just compensation.'" What are your views on the issue of constitutional taking of private property while enforcing the ESA? Is there a need for just compensation for property taken under ESA?"

Babbitt gave the following less-than-impressive answer: "President-elect Clinton and I recognize the fundamental importance of private property rights. This is an important legal question and I will consult with my legal advisers on this question. Where possible, I believe the federal government should work with private property owners to address these issues cooperatively."

* **No Judicial Experience.** As you know, Babbitt has no judicial experience. His legal experience is also limited.

* **DeConcini on Babbitt.** During the "Keating Five" hearings, Senator DeConcini had the following exchange with a reporter:

Reporter: What can you say to your constituents about, possibly your judgment, when it was brought up that former Governor Babbitt understood that there was a problem with Charles Keating--called him a crook, supposedly? Why did you continue to associate with him?

DeConcini: It's interesting--well, let me just address Governor Babbitt. He has to--former Governor Babbitt has to do what he has to do. In November of 1988, he was asking Keating for money for Senator Bryan, and in March of 1989, five or six months later, he was calling him a crook. So ask Governor Babbitt. He took \$5,000 from him. It didn't seem to bother him. He knew, when he was Attorney General. He said that he had trouble. So ask Governor Babbitt that question.

Some Positions:

- * **Abortion.** Opposes "any effort to weaken or overturn" Roe v. Wade. "I'm pro-choice...but I'm not an advocate of public funding of abortions."
- * **Death Penalty.** Has called the death penalty a "just response to some crimes."
- * **Prayer in Schools.** Has publicly opposed mandatory prayer in public schools.

GOP SUBSTITUTE REWORK,
BILL

Senate Republican Substitute Reconciliation Bill

June 11, 1993

(Draft)

Objective: Reduce spending first to reduce the federal deficit.

Outline of Proposal:

I. Deficit reduced below \$200 billion in 1998 without taxes.

1. The federal deficit would be reduced to \$198 billion in 1998 without taxes. This is lower than the Clinton plan in that year (\$202 billion) but which relies on over \$275 billion in new taxes.
2. Total deficit reduction over next five years exceeds \$350 billion in real, enforceable spending cuts. [CBO's estimate of President Clinton's FY 1994 Budget submission totaled \$362 billion over five years.]

II. Discretionary Spending Cuts

1. Extend current law discretionary spending caps for defense, international, and domestic expenditures through 1998. Enforceable through current law sequester process. Savings total \$164 billion over next five years.
- Defense spending caps set at 1994 Budget Resolution levels and President Clinton's request. Defense spending declines from \$279 billion in 1994 to \$253 billion in 1998. Defense outlay savings total \$73 billion over next five years.

-- International spending capped at 1993 level for next five years. Spending would average \$21 billion a year over next five years. Savings total \$7.0 billion over next five years.

-- Domestic spending capped at 1993 level for next five years. Spending would average \$240 billion annually. Savings total \$85 billion.

III. Entitlement Spending Cuts

1. Establish an enforceable, real cap on non-social security entitlement spending. Cap would become effective in 1996, providing sufficient time for Congress and the Administration to propose substantive legislation to meet cap levels. Caps would apply only to those programs whose expenditures exceeded population growth, inflation, and (in 1996 and 1997) an additional 1% adjustment factor. Total entitlement savings over next five years from implementation of policies to stay within the cap formula would be \$153 billion. Entitlement cap level of spending would be achieved by:

-- Adopting all real entitlement cuts in Senate reported reconciliation bill and exclude all direct spending increases. Total gross savings of nearly \$96 billion over next five years.

-- Additional entitlement cuts of \$57 billion achieved through application of entitlement cap effective in 1996.

IV. Debt Service Savings \$34.6 billion.

-- Based on CBO reestimates of the Treasury Department's actual debt management proposal, savings of \$6.4 billion over the next five years are included in aggregate deficit reduction numbers.

-- Additional debt service savings of \$28.2 billion from reduced deficit spending in the proposal.

- V. Revenue Proposals -- Lindy is still working on a suggested package of revenue items that would total about \$44 billion over 5 years.

SENATE REPUBLICAN ALTERNATIVE

(\$ billions)

	1994	1995	1996	1997	1998	Total 1994-98
CBO Capped Baseline Deficit	286.7	284.4	290.0	321.7	359.7	
<u>Discretionary:</u>						
Defense (Clinton)	4.1	4.8	-10.0	-33.6	-37.5	-72.2
International (Freeze)	-0.4	-0.8	-1.4	-1.9	-2.5	-7.0
Domestic (Freeze)	-3.8	-10.2	-16.8	-23.5	-30.6	-84.9
Subtotal	-0.1	-6.2	-28.2	-59.0	-70.6	-164.1
<u>Mandatory:</u>						
Gross spending reductions in reconciliation	-5.4	-9.5	-20.1	-27.5	-33.6	-96.1
Entitlement cap	--	--	--	-17.7	-39.4	-57.1
Subtotal	-5.4	-9.5	-20.1	-45.2	-73.0	-153.2
* <u>Revenues (net)</u>	-5.8	-5.8	-8.3	-15.1	-9.0	-44.0
Debt management a/	-0.5	-1.0	-1.3	-1.6	-2.0	-6.4
Debt service	-0.3	-1.4	-3.9	-9.7	-18.7	-34.0
Grand Total	-12.1	-23.9	-61.8	-130.6	-173.3	-401.7
Plan Deficit	274.4	260.7	228.4	191.0	186.6	

NOTE: Details may not add to totals due to rounding. Revenue increase shown as negative because it reduces the deficit.

a/ CBO reestimate of Treasury proposal (May 1993).

Prepared 06/11/93 04:36 PM

* STILL WORKING ON DETAILS

6/7/93

THE FACTS ABOUT RECONCILIATION

HOUSE-PASSED BILL VS. SENATE RECONCILIATION INSTRUCTIONS

I. House-passed Reconciliation bill (Dollars in Billions)

Most of the tax increases in the House-passed bill are retroactive to January 1, 1993, but only \$6.2 billion (13.5 percent) of the spending cuts would go into effect before 1996.

	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1994-8</u>
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
Total	36.7	48.7	67.1	91.1	92.6	336.8
 Ratio: Taxes & 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

II. Senate Reconciliation Instructions (Dollars in Billions)

The Senate Finance Committee has the lion's share of the work in the Senate bill. The Committee has been instructed to reduce the deficit by \$307 billion over 5 years. It has jurisdiction over all the tax increases and more than half of the spending cuts -- \$35.2 billion over 5 years -- in the reconciliation bill.

	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1994-8</u>
Spending Reductions*	2.6	3.4	9.4	16.8	22.5	54.7
User Fees*	2.3	2.5	3.9	3.5	3.6	15.8
Revenue Increases	27.3	40.3	57.8	73.5	73.1	272.1
Total	32.3	46.3	71.2	94.0	99.4	343.3
 Ratio: Taxes & User Fees to Spending Cuts*	 \$11.38 to 1	 \$12.59 to 1	 \$6.56 to 1	 \$4.58 to 1	 \$3.41 to 1	 \$5.26 to 1

* Numbers based on Senate Committee estimates. Reconciliation instructions do not differentiate between spending reductions and user fees.

ECONOMIC UPDATE

June 11, 1993

THE WEEKLY ECONOMIC REPORT

Executive Summary

The White House began closed-door budget negotiations with Senate Democrats this week. Clinton's apparent willingness to accept major Senate revisions to the Btu tax has angered many House Democrats. On Thursday, President Clinton, tried to reassure his supporters in the House saying, "They didn't walk the plank on the budget for nothing." He also hinted that the Btu tax might be revived in conference.

Economic news remains mixed. Despite a slight improvement in unemployment and news that fears of inflation have temporarily subsided, consumer confidence and spending remain relatively low. On Thursday, the consensus private blue chip economic forecast for 1993 dropped 0.3 percent for the second consecutive month -- one of the sharpest 2-month declines in the organization's 17-year history. Many of the economists who lowered their forecasts cited the potential effects of retroactive tax increases if the President's budget plan is adopted.

Recent Economic News

- o After jumping 1.2% in April, retail sales rose only 0.1% in May (6/11). The lower-than-expected increase is tied to sagging consumer confidence.
- o In trading this week, the dollar hit an all-time low against the Japanese yen. Japan's huge trade surplus is cited as the main reason for the yen's rise. (6/8)
- o The Commerce Department reported that actual 1st quarter GDP growth was only 0.9 percent, less than one-fifth the 4.7% rate in the 4th quarter of 1992 and the weakest quarter since 1991 (5/28).
- o In May, the U.S. economy created 209,000 jobs, dropping the unemployment rate to 6.9 -- the lowest rate in 18 months. (6/3)

Reactions from the White House and Capitol Hill

- o In a speech to the Business Roundtable, **President Clinton** said, "There has been a calculated effort to distort and to destroy this [budget] program calling it tax-and-spend." (6/8)
- o Recalling the President's efforts to secure House votes to pass his budget plan, **Rep. Louise Slaughter (D-NY)** said, "We told him we would be out on a limb. He said he would be out there with us. Now, we don't know where the limb is." (6/10)
- o **White House Chief of Staff Mack McLarty** now suggests that "the Senate discussions offer a very good opportunity to redefine and reestablish" the Clinton message. (6/10)
- o Commenting on danger of budget negotiations, **OMB Director Panetta** warned, "You have to be careful that for every vote you pick up, you don't lose two or three votes because of the areas you turn to for spending cuts." Later, **Sen. Rockefeller** said, "To do another \$35 billion in Medicare cuts for deficit reduction "is not a sustainable proposition that would have my vote." (6/9)

What the Experts Are Saying

- o A recent Treasury Department study showed that defeating the President's economic plan would drive up long-term interest rates and slow the economy. **Ray Worsack**, chief economist at **A.G. Edwards & Sons Inc.**, argues that the study "fits a pattern of political, financial, and public relations adolescence that has characterized the Administration in recent weeks." (6/8)
- o **John Williams**, managing director at **Bankers Trust Co.**, said, "[A] plan that relies so heavily on tax increases and so little on spending cuts is going to do little to reduce the deficit over time." (6/8)
- o **Paul Craig Roberts**, said, "It is absurd to promise lower interest rates from a [broad-based energy] tax that is going to drive up prices." (6/7)

SENATOR BOB DOLE
CLOTURE--CAMPAIGN FINANCE REFORM
JUNE 11, 1993

MR. PRESIDENT, LAST MONTH, FIVE OF MY REPUBLICAN COLLEAGUES--SENATORS CHAFEE, COHEN, DURENBERGER, JEFFORDS AND MCCAIN--WROTE TO THE DISTINGUISHED MAJORITY LEADER AND TO MY COLLEAGUE FROM OKLAHOMA, SENATOR BOREN, OUTLINING A SET OF NINE PRINCIPLES THAT MUST BE FOLLOWED BEFORE THEY WOULD SUPPORT ANY CAMPAIGN REFORM BILL.

DURING THE COURSE OF THIS DEBATE, AND THROUGH THE AMENDMENT PROCESS, SOME OF THESE PRINCIPLES HAVE BEEN MET.

I AM PLEASED THAT MY COLLEAGUES ON THE OTHER SIDE OF THE AISLE HAVE FOLLOWED THE REPUBLICAN LEAD BY BANNING ALL PAC CONTRIBUTIONS. FROM DAY ONE, A COMPLETE PAC-BAN HAS BEEN A KEY ELEMENT IN THE REPUBLICAN APPROACH TO CAMPAIGN REFORM.

UNFORTUNATELY, THE ADMINISTRATION PROPOSAL HAD ORIGINALLY ADOPTED A STATUS QUO APPROACH TO PACS, LOWERING THE PAC CONTRIBUTION LIMIT MODESTLY TO \$2,500 FOR SENATE CANDIDATES AND RETAINING THE CURRENT \$5,000 LIMIT FOR HOUSE CANDIDATES.

IN THE END, THE SENATE HAD ITS SAY AND A COMPLETE PAC-BAN WAS ADOPTED. THIS IS A BIG STEP IN THE RIGHT DIRECTION.

BUT, MR. PRESIDENT, AT LEAST TWO KEY PRINCIPLES REMAIN UNRESOLVED: THE FIRST PRINCIPLE IS THE AVOIDANCE OF PUBLIC FINANCING, THE USE OF TAX DOLLARS TO FUND CONGRESSIONAL CANDIDATES. THE SECOND PRINCIPLE IS THE FULL DISCLOSURE OF ALL SOFT MONEY, INCLUDING THE MILLIONS IN UNDISCLOSED, UNREGULATED CONTRIBUTIONS THAT ARE PUMPED INTO THE CAMPAIGN FINANCE PIPELINE EACH YEAR BY LABOR UNIONS.

REPUBLICANS AREN'T KIDDING WHEN WE SAY THAT NO BILL DESERVES THE NAME "REFORM" IF IT DOESN'T TACKLE THESE ISSUES HEAD-ON.

LET'S FACE IT, WITH THE AMERICAN PEOPLE ALREADY REELING FROM THE TAX AND SPEND PROPOSALS COMING OUT OF WASHINGTON, THEY ARE IN NO MOOD TO ESTABLISH AN ENTITLEMENT PROGRAM FOR POLITICIANS, WHICH IS EXACTLY WHAT THIS BILL PROPOSES TO DO WITH ITS MULTIMILLION DOLLAR PUBLIC FINANCING SCHEME.

I KNOW MY COLLEAGUES, SENATORS McCONNELL AND SHELBY, HAVE DRAFTED AN AMENDMENT STRIKING THE PUBLIC-FINANCING PROVISIONS OF THE BILL. THE SENATE SHOULD, AT LEAST, HAVE THE OPPORTUNITY TO VOTE ON THIS IMPORTANT AMENDMENT.

AND, WITH ALL DUE RESPECT TO MY COLLEAGUES ON THE OTHER SIDE OF THE AISLE, THEY CAN'T CLAIM THEY HAVE SOLVED THE SO-

CALLED SOFT MONEY PROBLEM, WHEN THEY LEAVE UNTOUCHED THE MILLIONS OF DOLLARS IN LABOR SOFT MONEY SPENT ON BEHALF OF CONGRESSIONAL CANDIDATES...AND, YES, PRIMARILY DEMOCRAT CANDIDATES.

MR. PRESIDENT, WE HAVE BEEN AROUND THE CAMPAIGN FINANCE REFORM TRACK FOR SEVERAL YEARS NOW. WE HAVE DEBATED THIS BILL FOR TWO WEEKS.

AND BELIEVE IT OR NOT, WE ARE MAKING SOME PROGRESS. WE MAY BE TAKING THE "LOCAL" RATHER THAN THE EXPRESS TRAIN, BUT WE ARE MAKING PROGRESS NONETHELESS.

I URGE MY COLLEAGUES TO VOTE AGAINST CLOTURE SO THAT THE REPAIR WORK CAN CONTINUE.

###

June 11, 1993

M E M O R A N D U M

TO: SENATOR DOLE
FROM: DENNIS SHEA
SUBJECT: CAMPAIGN FINANCE REFORM

As you know, the five Republican fence-sitters (Chafee, Cohen, Durenberger, Jeffords, and McCain) have outlined nine principles that must be followed before they sign on to a campaign reform bill. These principles are:

- * avoid public financing
- * any bill that provides public financing must be paid for
- * same rules for House and Senate
- * further restrictions on PAC contributions
- * all soft money must be disclosed
- * in-state contributions should be favored over out-of-state contributions
- * a severability clause, guaranteeing that the bill will survive in the event that one of its provisions is declared unconstitutional
- * campaign fundraising should be limited to the actual campaign cycle
- * campaign committees should not pay back loans that candidates make to their own committees

Some of these principles have already been met. For example, an amendment banning PAC contributions to both House and Senate candidates was accepted.

Senator Durenberger intends to offer an amendment striking the publicly-funded communications vouchers that are used as an incentive to comply with the spending limits. Instead, Durenberger would encourage compliance by taxing the campaign funds of any candidate who does not accept the limits. The tax rate will be pegged somewhere between 25% and 35%.

Senators Shelby and Exon voted against cloture, so opposition to public financing is bipartisan.

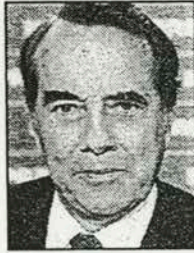
Reject public financing

OPPOSING VIEW **Senate Republicans**
have a better idea — without any
raid on the taxpayers.

Taxpayer financing of campaigns is a landslide loser with the American people. Last year, a whopping 82% of all taxpayers voted against publicly funded campaigns, electing *not* to send \$1 to the Presidential Election Campaign Fund, the program that hands out tax money to presidential candidates.

Instead of forcing taxpayers to foot the bill for politicians, Senate Republicans have a better idea.

Our reform plan would ban political action committees, sharply reduce out-of-state contributions, prohibit taxpayer-funded congressional mass mailings during an election year, ban "bundling" (the collection of hefty contributions from multiple sources), boost the role of the political parties by allowing them to finance congressional challengers with



By Robert J. Dole, Senate minority leader.

seed money, establish a "broadcast discount" to reduce the cost of campaign advertising and clamp down on the "soft money" problem — the millions of dollars of undisclosed, unregulated contributions that get pumped into the campaign finance pipeline each year.

And Republicans are able to accomplish all of these reforms without asking taxpayers to contribute a single dime.

At a time when Americans are already reeling from this administration's tax-and-spend policies, they are in no mood to establish a new entitlement program for politicians. And, what's wrong with the Clinton plan doesn't end there: It won't take effect until Jan. 1, 1995, giving incumbents a free pass in 1994. It applies different rules to the House and the Senate. And it establishes a system of spending limits that will hurt political competition and guarantee a liberal majority on Capitol Hill for years to come.

No doubt about it: The people didn't send us to Washington to bicker; they want us to get things done. I'm prepared to work with my Democrat colleagues to fashion a real reform bill, but I don't believe we need a government raid on the people's wallets and pocketbooks.

Perot on Clinton's Campaign Finance Plan

The feisty billionaire populist isn't much impressed with President Clinton's campaign finance bill.

The Los Angeles Times reported that Perot called Clinton's proposal "sham reform," saying: "The American people don't want sham reform, they want real reform." Perot sharply criticized the different PAC limits for the House and Senate, and pointed out that the House spending limits were set well above what most incumbents spent in the last cycle: "This is no good...it's a game that has been played in Washington that favors incumbents."

The Chicago Tribune also reported negative remarks by Perot regarding the President's bill: "[Perot] mocked the campaign finance reform proposal by comparing it to a drinker who promises to switch to light beer, right after the next binge. 'It's obscene,' the Texan fumed."

When asked about the fact that some United We Stand chapters apparently had endorsed the President's plan, Perot indicated that he was planning to send a mailing to chapter leaders highlighting the bill's weaknesses, "so they understand the numbers."

And last June, on the Today Show, Perot made an issue out of his refusal to accept taxpayer financing: "You taxpayers out there are paying for the [party] conventions. They cost you about 10 million bucks....You taxpayers are going to pay for the Democrats' and the Republicans' campaigns. You're going to kick in something over \$50 million there. I don't want to spend a penny of taxpayers' money on me...because I want that money, which we don't have enough of, to go out to help the people who need it, and to be spent to rebuild our country." We couldn't have said it better ourselves.

We will try to keep you updated on the latest thinking among the Perotistas on Clinton's campaign finance flop!

Prepared by the Office of U. S. Senator Mitch McConnell (R-KY). If you have any questions, please call Steven Law or Tamara Somerville, at 224-2541.

MITCH McCONNELL
KENTUCKY

COMMITTEES:
AGRICULTURE
APPROPRIATIONS
RULES
ETHICS (VICE CHAIRMAN)

United States Senate

WASHINGTON, DC 20510-1702
(202) 224-2541

May 25, 1993

Re: Democrats' Hostile Takeover of FEC

Dear Colleague:

If you have any doubt that the Democrats' campaign finance bill is designed to handicap Republicans while protecting their special advantages, I urge you to carefully read Title VI, which covers the Federal Election Commission (FEC).

These new measures, inserted in the President's bill at the last minute, would facilitate an immediate Democratic takeover of the FEC. The FEC's General Counsel, a liberal ex-Naderite, would be given a critical tie-breaking vote whenever the Commissioners (3 Republicans and 3 Democrats) became deadlocked on whether to pursue an alleged campaign violation.

Despite being unelected and unconfirmed, the General Counsel would be elevated to the rank of "campaign czar." Last year, the General Counsel tried to stop the National Republican Senatorial Committee (NRSC) from spending additional "coordinated" funds in the Georgia Senate runoff election. He was unsuccessful because the Commissioners split along partisan lines.

Had this provision been in place, the General Counsel would have cast the deciding vote against the NRSC, and Paul Coverdell would not have been elected to the Senate.

In sum, the President's bill would allow the General Counsel and the Democratic Commissioners to hound Republican candidates with no interference from the Republican Commissioners.

Here's the deadliest part: under these provisions, once the FEC has decided to investigate a complaint but becomes deadlocked on a finding of wrongdoing, if the General Counsel believes that a violation has occurred, the complainant would have the right to directly sue the candidate or campaign committee.

Currently, dissatisfied complainants may take only the FEC to court, arguing that its actions were arbitrary or capricious. Under the President's bill, you could be sued directly by Common Cause, in a de novo proceeding, if the Commissioners were evenly split and the General Counsel advocated punishing you.

FEDERAL BUILDING
241 MAIN STREET
ROOM 102
BOWLING GREEN, KY 42101
(502) 781-1673

FEDERAL BUILDING
ROOM 307
COVINGTON, KY 41011
(606) 261-6304

155 EAST MAIN STREET
SUITE 210
LEXINGTON, KY 40507
(606) 252-1781

1501 SOUTH MAIN STREET
SUITE N
LONDON, KY 40741
(606) 864-2026

600 MARTIN LUTHER KING, JR.
PLACE ROOM 451
LOUISVILLE, KY 40202
(502) 582-6304

IRVIN COBB BUILDING
608 BROADWAY
PADUCAH, KY 42001
(502) 442-4554

May 25, 1993
Page Two

Some Democrats have denied any partisan intent behind these provisions, arguing that a General Counsel can be appointed only by a majority of the Commissioners. That's true, but the current General Counsel could not be removed by less than a majority of the Commissioners.

Further, as an added "insurance policy," the President's bill stipulates that if the current General Counsel leaves or is removed, the Assistant General Counsel must become Acting General Counsel until a majority of Commissioners appoints someone else. The present Assistant General Counsel is also an activist in the Common Cause mold; if the Democratic Commissioners wanted to keep her as General Counsel, they could refuse to appoint anyone else.

These blatantly anti-Republican provisions are only part of the evidence that the Democrats consciously drafted a campaign finance bill that would damage Republicans while advancing their partisan interests.

Though the Democrats extend the olive branch and offer to negotiate, you may be confident that they will never lose sight of their hard-core partisan agenda. Neither should we.

Sincerely,

A handwritten signature in cursive script, appearing to read "Mitch". The signature is written in dark ink and is positioned below the word "Sincerely,".

United States Senate

WASHINGTON, DC 20510

May 19, 1993

The Honorable Wendell H. Ford
Chair, Committee on Rules and Administration
United States Senate
Washington, D.C. 20510

Dear Wendell:

On May 6, the five of us sent a letter to the White House and Senate leaders on campaign finance reform, laying out nine principles that will be guiding our decisions as we consider campaign finance reform. A copy of that letter is attached.

We believe that these principles are essential elements of reform. After reviewing the President's proposal, we have found that his bill falls short of the objectives we believe constitute tough, genuine reform: significantly reducing the influence of special interests and leveling the playing field between incumbents and challengers.

In a year with the theme of "shared sacrifice," the President's proposal has taken a different approach. Instead of asking politicians to join in "shared sacrifice," he offers politicians benefits to coax them into accepting reform. Reforms have also been scaled back because they cause too much pain to incumbents. We are particularly concerned that reforms for the House of Representatives will be determined at a later date.


We don't believe that campaign finance reform will be true reform until it hurts incumbents. We are also not convinced that it is either wise or necessary to divert money that could be used to reduce the deficit in order to offer politicians an unneeded new "perk" via taxpayer financing of campaigns.

We are encouraged that hearings are being held today on the President's proposal. We have interpreted this as a small gesture toward bipartisanship -- an absolutely essential ingredient for any political reform.

Campaign Finance Reform
Page 2

We intend to play a constructive role in shaping comprehensive campaign finance reform. Our goal is to help the Senate have the courage to do the right thing, even if it hurts.

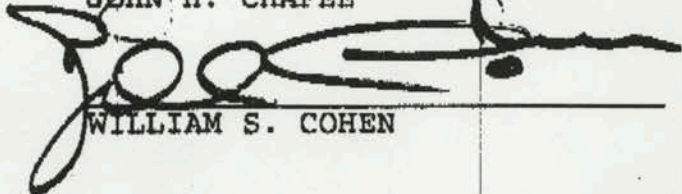
Sincerely,



DAVE DURENBERGER



JOHN H. CHAFEE



WILLIAM S. COHEN



JOHN MCCAIN



JAMES M. JEFFORDS

cc: The Honorable Mitch McConnell

May 17, 1993

M E M O R A N D U M

TO: SENATOR DOLE
FROM: DENNIS SHEA
SUBJECT: CAMPAIGN FINANCE REFORM--PROPOSED COMPROMISE

Attached for your review is a proposed compromise. I developed the compromise with the input of Jan Baran.

The highlights:

* **Good Money/Bad Money.** The compromise adopts the "good money/bad money" distinction first developed by the Bipartisan Panel of Experts. Candidates would be required to deposit "good money" contributions (in-state individual contributions and out-of-state individual contributions of \$100 or less) in a Constituent Contribution Account, which would not be subject to an aggregate cap. All other contributions (PAC contributions, out-of-state individual contributions in excess of \$100) would be placed in a separate Supporter Contribution Account. Contributions to the Supporter Contribution Account would be subject to an aggregate Contribution Cap. The levels of these Contribution Caps would be identical to the spending limits contained in the Administration plan.

* **Contribution Caps are Mandatory.** The Administration spending limits are voluntary. The Contribution Caps are mandatory.

In Buckley v. Valeo, the Supreme Court declared that inflexible and mandatory spending limits were unconstitutional. The Court, however, permitted mandatory restrictions on contributions. The Contribution Caps, even though mandatory, are arguably consistent with Buckley.

* **No Public Financing.** The Administration plan tries to comply with Buckley by making its spending limits voluntary. As an inducement to accept these limits, the Administration plan provides participating candidates with public financing in the form of communication vouchers.

Since the Contribution Caps are mandatory, no public-financing inducements are needed.

* **The Compromise Proposal is Tougher on PACs than the Administration Plan.** The Administration plan limits individual PAC contributions to \$2,500 to Senate candidates. The compromise lowers this limit to \$1,000. Both the Administration plan and the compromise propose the same aggregate limits on PAC contributions.

* **The Compromise Helps Challengers in Ways the Administration Plan Does Not.** The compromise 1) allows the political parties to give early "seed money" to viable challengers, and 2) prohibits campaign roll-over. The Administration plan does not contain either proposal. (As you know, some Senate Republicans oppose restrictions on roll-over.)

The compromise also allows all candidates to purchase broadcast time at 50% of the lowest unit rate. The Administration plan would only give this broadcast discount to candidates who accept the spending limits.

Compromise Proposal

1. **Contribution Cap.** Require all Senate candidates to establish two separate campaign accounts: a) the "Supporter Contribution Account," and b) and the "Constituent Contribution Account."

A. The following types of contributions must be deposited in the Supporter Contribution Account: PAC contributions, out-of-state individual contributions in excess of \$100, and personal funds.

With the exception of a candidate's personal funds, contributions in the Supporter Contribution Account would be subject to a Contribution Cap. The Contribution Cap would be based on state voting age population. The Contribution Cap would range from \$1.2 million to \$5.5 million for general election campaigns, and the Contribution Cap for primary elections would be 67% of the general election limit, up to \$2,750,000.

If a Senate candidate contributes personal funds totalling more than \$250,000, or 10% of the general-election spending limit, whichever is greater (the "Personal Funds Amount"), then each opposing candidate may accept contributions from the political parties matching dollar-for-dollar the Personal Funds Amount.

Senate candidates who accept contributions in excess of the Contribution Cap would be subject to civil fines by the Federal Election Commission. Criminal sanctions would be available for "knowing and wilfull" violations.

B. The following types of contributions must be deposited in the Constituent Contribution Account: in-state individual contributions and out-of-state individual contributions of \$100 or less. Contributions to the Constituent Contribution Account will not be subject to an aggregate cap.

2. **Public Financing.** No public financing.

3. **Political Action Committees.** Individual PAC contributions to Senate candidates will be limited to \$1,000 per election. In addition, aggregate PAC contributions will be limited to 20% of the Contribution Cap.

4. **Assistance to Challengers.**

- * Challenger Seed Money from the Political Parties.
- * No Franked Mass Mailings during an Election Year.

* No Campaign Roll-over.

* Broadcasters must make nonpreemptible commercial time available to all candidates at 50% of the lowest unit rate available to commercial purchasers.

5. **Soft Money.** All soft money--both party and non-party-- must be strictly regulated and disclosed.

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All other issues subject to further negotiation.

BLUE-RIBBON COMMISSION ON CAMPAIGN FINANCE REFORM

1. The Commission will have 8 members--2 appointed by the Senate Majority Leader, 2 appointed by the Senate Republican Leader, 2 appointed by the Speaker of the House, and 2 appointed by the House Republican Leader.
2. The Commission will have the authority to conduct public hearings and solicit the testimony of witnesses. By a majority vote, the Commission will have the authority to appoint an Executive Director. Funding for the Commission will be such sums as may be necessary.
3. The Commission will issue a report outlining its recommendations for comprehensive campaign finance reform, including its recommendations for a) making politics more competitive, b) reducing the role of special-interest funding in campaigns, c) reducing the cost of campaign advertising, and d) increasing constituent participation in campaigns.
4. With its final report, the Commission must submit a legislative proposal implementing the report's recommendations.
5. The report and legislative proposal must be submitted to the Senate Majority Leader, the Senate Republican leader, the Speaker of the House, and the House Republican Leader no later than May 31, 1994. Both the report and the legislative proposal will be made available to the public.
6. The Commission's report and legislative proposal must be considered by Congress; provided, that a vote must take place in both Houses with time limitations on debate, and without amendment by a date certain.
7. Congress must dispose of the Commission reported legislative proposal no later than November 1, 1994.
8. The legislation developed by the Commission, if adopted by Congress, will sunset after 6 years (three election cycles), on December 31, 2000.
9. The Commission will submit a second report to the Senate Majority Leader, the Senate Republican Leader, the Speaker of the House, and House Republican Leader, no later than December 31, 1999. This report will evaluate the effectiveness of the Commission's recommendations during the two previous election cycles and will offer legislative suggestions for improvement.

BOSNIA

BACKGROUND/ TALKING POINTS ON THE BALKANS (JUNE 11)

Re: Deployment of U.S. troops to Macedonia as monitors:

Background:

- 300 combat troops will be sent to augment UNPROFOR forces there -- a Nordic battalion;
- the U.S. troops will operate under UNPROFOR commander (a Dane), will wear blue helmets and will have the same Rules of Engagement as UNPROFOR (authorized to act only in self-defense);
- these U.S. troops will probably arrive some time next week and be deployed on the border area of Macedonia, towards the Yugoslav border.
- No decision has been made with respect to Kosova -- but to deploy monitors or peacekeepers, the U.N. would need to request permission from Serbia.

Talking Points:

- * Containing the conflict in Bosnia is a worthwhile goal.
- * To contain the conflict, it must be stopped.
- * It's hard to see how sending 300 U.S. monitors to Macedonia will achieve that goal.
- * Even if we are willing to write off Bosnia -- which the administration has not suggested -- 300 U.S. troops, added to the few hundred UNPROFOR troops, seems an unlikely deterrent. There are thousands of UNPROFOR troops in Bosnia and the Serb forces still do what they want.
- * Moreover, this measure won't prevent the spread of war into Kosova.
- * The administration keeps promising to take tough and resolute action, but ends up settling for steps that are largely symbolic and have little, if any, effect on the situation.

Re: Other NATO meeting decisions:

Background:

- At the NATO meeting, Secretary Christopher offered U.S. air power to defend UNPROFOR troops throughout Bosnia, if they are attacked and a request is made to NATO.
- Christopher also proposed a December NATO summit meeting to strengthen and adapt NATO to a post-Cold War world.

Re: U.N. action this week:

Background:

- In the face of Serbian opposition, the U.N. Security Council backed off from passage of a resolution which would have offered personnel to monitor the "embargo" ostensibly placed on Bosnian Serbs by Milosevic. It settled for a report on how to do it.

Talking Points:

- * After 14 months, NATO and the U.N. are still dancing around the edges with respect to policies to end the war in Bosnia and prevent this conflict from spreading;
- * Safe havens are not the answer; monitors in Macedonia are not a real deterrent.
- * With these feeble attempts, the international community is sending the wrong signal to Belgrade.
- * We need to send a red light to Milosevic, not a green light or a yellow light.

Re: Croat-Muslim fighting in central Bosnia:

Background:

A fierce attack on Croatian villages and civilians in the area of Travnik by units from the Army of Bosnia-Herzegovina occurred this week -- a large number of civilians were wounded and killed; the U.N. witnessed many atrocities against civilians. This comes on the heels "ethnic cleansing" by Croats against Muslims in the area of Mostar. It is believed by many analysts that the Vance/Owen plan has been a catalyst for these tensions; certain leaders have taken it upon themselves to create Croat and/or Muslim provinces. Refugee flows have compounded the problems in various areas -- there is a "survival of the fittest" situation with increasing numbers of people fighting for limited resources. In response to events in Travnik, President Izetbegovic announced a unilateral ceasefire, fired the Defense Minister and has tasked the new Defense Minister to restructure the armed forces (to gain more control and authority over them) and find those responsible for the atrocities. A formal ceasefire has been signed, but there are reports that it is not holding in all areas.

Talking Points:

- * I condemn all attacks against civilians, including the latest attacks on Croatian civilians in Travnik. It is the responsibility of Bosnian government leaders to take measures to determine who the perpetrators were and hold them accountable.
- * The Vance/Owen plan has been a catalyst for the tensions and problems in Bosnia -- certain Muslim and Croat leaders are trying to create these ethnic provinces along the lines of the Vance/Owen plan. The large flow of refugees into various areas have also added to tensions. But, these refugee flows will continue as long as the war goes on.
- * The arms embargo has weakened the authority and control of the Bosnian government. If the arms embargo were lifted, the Bosnian Government would have less difficulty in extending its authority where necessary. There would be less of a chance of local leaders taking power into their own hands.

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)

arms embargo was placed on the former Yugoslavia -- a state which no longer exists.

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 measures necessary to maintain international peace and security."

Arms Embargo Impairs Bosnian Self-Defense

It is obvious that the measures taken by the Security Council to date in response to the aggression against Bosnia-Herzegovina have been inadequate to maintain international peace and security. To the contrary, 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. To put it plainly, the arms embargo has rendered Bosnia virtually defenseless against Serbian forces which inherited the vast military resources of the Yugoslav army. As a result, more than 70% of Bosnia is occupied, more than 2 million Bosnians are homeless, and more than 150,000 people have died.

Should the United States be tied to an unjust policy in a U.N. Security Council resolution which because of changed circumstances now violates the U.N. Charter? In my view the answer is "no." The arms embargo doesn't make any sense in policy or legal terms.

###

**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.

37 AP 06-11-93 06:37 EST 50 Lines. Copyright 1993. All rights reserved.

→ Grand Jury Investigates Senator-Elect<

Eds: ADDS two grafs with Earle challenging assertion that investigation is politically motivated<

By CHIP BROWN Associated Press Writers

AUSTIN, Texas (AP) U.S. Sen.-elect Kay Bailey Hutchison branded as politically motivated a grand jury investigation into whether she had used her state Treasury office for political purposes.

Fourteen Treasury employees and Mrs. Hutchison's spokesman have been subpoenaed, the district attorney's office said Thursday. Investigators also subpoenaed telephone, computer and personnel records and other material.

The investigation centers on whether Mrs. Hutchison, the state treasurer, misused state telephones and other state resources and tampered with state records to cover up the alleged misuse while she ran for Senate.

Hutchison was elected on Saturday, overwhelmingly defeating Democrat Bob Krueger. She is scheduled to be sworn in on Monday.

"There are two ways to lose: gracefully and the way the Democrats are doing it. I am very surprised and disappointed."

Mrs. Hutchison, a Republican, said of the investigation.

Her spokesman, David Beckwith, called the investigation a "political witch hunt."

He noted that the prosecutor, Ronald Earle, is a Democrat who reportedly is interested in a Senate bid next year, when Mrs. Hutchison who is serving out the remainder of Lloyd Bentsen's Senate term will have to stand election for a full six-year term.

"Obviously the 1994 Senate race is under way," Beckwith said.

During the Senate campaign, Krueger had cited news reports that some records of a telephone line at the Treasury used for political purposes were removed from state files, though they are covered by the state open records law.

Mrs. Hutchison has said that she paid the state for use of the phone and that its records weren't covered by the open records law.

Earle said in a statement Thursday that his office is investigating allegations of tampering with governmental records, tampering with physical evidence, official misconduct and violation of the Open Records Act.

Earle denied the investigation was politically motivated.

"These are allegations of criminal misconduct. They may or not be true," Earle said. "This is an investigation and not a trial. ... And we are going to continue to investigate these allegations because that is exactly what our duty is."

32 REU 06-11-93 02:25 EST 67 Lines. Copyright 1993. All rights reserved.

GRAND JURY SEEKS RECORDS OF HUTCHISON. TREASURY EMPLOYEES

AUSTIN, Texas, Reuter - A Texas grand jury issued subpoenas Thursday for records of newly elected U.S. Sen. Kay Bailey Hutchison and more than a dozen employees who worked for her in the state Treasurer's office.

"The Travis County grand jury and the Travis County's district attorney's office are conducting an investigation into allegations of tampering with governmental records, tampering with physical evidence, official misconduct and violation of the Open Records Act. These possible offenses include both felonies and misdemeanors," said District Attorney Ronald Earle in a press statement.

He said records of Hutchison and 13 Treasury employees were sought. Fourteen subpoenas were issued, mainly to other Treasury employees than whose records were sought. Four of those subpoenas had not yet been served and Hutchison had not been subpoenaed, Earle told reporters after the grand jury wrapped up for the evening.

Hutchison, in a television interview, said "it's clear the Democrats don't know how to lose an election. This is ridiculous." She also said, "My only sin is I won an election decisively."

The subpoenas occurred less than one week after Hutchison, the former state treasurer, beat Democratic interim Sen. Bob Krueger to fill the remaining 19 months in Treasury Secretary Lloyd Bentsen's seat.

Hutchison supporters said the subpoenas were politically motivated. "Obviously the 1994 Senate race is underway. This is a political witchhunt instigated by Democrats bitter over their rejection last Saturday at the polls," said David Beckwith, campaign spokesman for Hutchison, in a statement.

The subpoenas seek telephone records, computer tapes, typewriters, some vacation records, job applications and personnel records for some or all of those named.

Among the employees whose records were sought was Sharon Ammann, daughter of former Texas Gov. John Connally, who during the campaign accused Hutchison of striking her during her employment at the Treasurer's office.

Ammann had also charged that she had run personal errands for Hutchison.

Subpoenas sought records of Hutchison, David Criss, Martha Wolfe, Jeanette O'Dell, Trilbey Babin, Ammann, Kelley Gilbert, Michael Barron, John Bell, Sandra Snead, Stephanie Nooner, Mark Toohey, Leslie Rawl and Tom Bowden.

"The subpoenas were completely unnecessary. Representatives of Mrs. Hutchison had previously contacted the district attorney and offered to deliver voluntarily any and all material requested. Furthermore, the district attorney was assured that no records had been destroyed nor any in danger of being destroyed," Beckwith said in his statement.

Beckwith, in Washington, was among those to be served with a subpoena.

The subpoenas require the person named to appear before the grand jury with the records requested.

The grand jury will reconvene Friday and Earle said it may take weeks to go through the records.

Earle said it is not the policy of his office to act during a campaign "absent a compelling need," but then he added, "the campaign is over and the information we had presented something of a compelling need to act."

Hutchison delivered an old-fashioned political whipping to Krueger in Saturday's Texas Senate election, which critics saw as a setback for President Clinton.

REUTER

CIGARETTE TAX

June 4, 1993

TO: SENATOR DOLE
FROM: SHEILA BURKE
SUBJECT: CIGARETTE TAXES

Attached is an article that appeared in Friday's New York Times. I thought you might be interested given your remarks to Jay Leno as to the declining revenues that would be available.

Should we increase the tax, we will put together some additional thoughts as to what you might say regarding "sin taxes." I think an even greater focus in your remarks should be the need to cushion the transition for tobacco farmers and there employees makes sense. Frankly, your point that the large majority of Americans support taxes in this area is absolutely correct -- there are clear health policy arguments in favor of dramatically decreasing the use of tobacco.

cc: Nina

Two Bucks Will Finance Health Care for 10 Million

By Jeffrey E. Harris

The fate of the Clinton Administration's again-delayed program to reform the country's health care system will hinge on sources of revenue. Cigarettes, which are detrimental to the health of Americans, are likely to enhance the health of the program.

A \$2 per pack increase in the Federal excise tax on cigarettes, which is now 24 cents a pack, is under consideration. But Government economists cannot easily predict its impact. An extra \$2 would bring the current average retail price to \$4 a pack. Would smoking rates drop so steeply that cigarette revenues would fall?

Jeffrey E. Harris, an economics professor at M.I.T. and a doctor, is author of the forthcoming "Deadly Choices: Coping With Health Risks in Everyday Life."

No. For the rest of the 1990's, higher cigarette taxes almost certainly would continue to add billions of dollars to the Treasury even though smoking rates would surely decline.

The best way to try to predict the impact of a major tax increase on cigarettes is to look to Canada, where cigarette taxes and prices have been rising much faster than ours.

From 1984 through 1992, the average price of Canadian cigarettes rose 114 percent over the inflation rate, yet cigarette consumption dropped by only 27 percent, according to my calculations. (Canadians pay an average of \$4.41, in U.S. dollars, for a pack.)

Last year, 24.9 billion packs of cigarettes were bought in the United States. Based on Canada's record, I project that, in the U.S., a \$2 increase would reduce sales by 25 percent, to about 19 billion packs. Subtracting lost income taxes, I calculate that a \$2 hike would add \$28 billion annually to the Treasury.

The Congressional Joint Committee on Taxation has forecast that a \$2 increase would yield \$18 billion a

year; this low estimate presupposes that smoking rates would drop by 50 percent, which is unrealistic.

If the \$2 hike actually raised \$28 billion in revenue, that would be enough to pay for the health care of 10 million Americans. With 37 million

A higher cigarette tax would yield \$28 billion.

uninsured, that is a sizable chunk of the cost of universal health care coverage.

Critics might argue that U.S. cigarette manufacturers would not pass the entire \$2 tax increase to consumers — that discount and generic cigarettes would become even more popular. If so, smoking rates would fall less than I predict and, again, Fed-

eral revenues would be even higher.

Why wouldn't the bottom drop out of the domestic cigarette market? After all, at a \$4 price per pack the typical smoker would spend more than \$2,000 yearly on cigarettes. Here's why: It's hard to quit smoking. After a single attempt, the typical smoker has no more than an 8 percent chance of achieving long-term abstinence. When prices go up, many highly motivated smokers may decide to kick the habit and do so successfully. But the most addicted least price-sensitive smokers will go on as before.

Overall, the demand for cigarettes is just too unresponsive to price to expect a \$2 tax to cause revenues to fall. For a \$2 tax to yield no more revenue than a \$1 tax, more than half of today's smokers would have to quit.

An inaccurate forecast of cigarette tax revenues might be hazardous to the health of a great many Americans. But genuine reform could be in the offing if the White House realized that there just might be enough money to foot the bill. □

My Times
6/4/93

TAX PLAN

TAX PLAN

June 3, 1993

MEMORANDUM TO THE REPUBLICAN LEADER

FROM: David Taylor *David*

SUBJECT: Summary of National Attitudes Toward the Clinton Economic Program by Williams & Associates

The two most significant findings from this study are that 1) the plan has never garnered a majority of support among the American public and 2) as debate on the plan continues, opposition tends to gather strength while support withers. Based on these findings, Williams argues:

Clinton has staked his reputation on ending government gridlock and the inability, with an overwhelming majority of Democrats in Congress, to pass his program we believe will be viewed as his failure, not the responsibility of partisan obstructionism.

The following information is the result of a nationwide telephone survey of 860-1,000 adults conducted in March, April and May.

I. FAVOR/OPPOSE CLINTON ECONOMIC PROGRAM

	<u>March 1993</u>	<u>April 1993</u>	<u>May 1993</u>
Favor	43 %	43 %	35 %
Don't Know	28	21	26
Oppose	28	36	39

II. SHOULD THE PRESIDENT CUT SPENDING BEFORE RAISING TAXES

Question: Some people say that one problem with the Clinton plan is that it raises taxes first and then seeks to cut spending. Those people say that the President should first cut spending. Other people say that the deficit is so large right now that we need to immediately raise taxes and then look to cut spending. Which of these views is closest to your own?

	<u>March 1993</u>
Cut Spending First	69 %
Raise Taxes Now	17
Both	7
Don't Know	7

cc: Sheila Burke

Walt Riker

June 2, 1993

MEMORANDUM TO THE REPUBLICAN LEADER

FROM: David Taylor *David*

SUBJECT: Confusion about Numbers in House Reconciliation Bill

My preliminary summary of the new spending cuts in the House Reconciliation bill does not match the numbers released by Domenici's staff before the House vote on the bill. The reason for the difference is that in a number of cases, different House Committees approved different spending cuts, and spending increases in the same program.

Example:

- o The Energy and Commerce Committee approved Medicare cuts totalling \$1.1 billion in FY 1994 and \$29.6 billion over 5 years. Ways & Means approved a different set of Medicare cuts totalling \$2.7 billion in FY 1994 and \$51.2 billion over 5 years. Added together, the cuts total \$3.8 billion in FY 1994 and \$80.8 billion over 5 years.

In cases like these, it is difficult to determine which provisions the House Democrat Leadership decided to include in its assumptions. Bill Hoagland has asked CBO to provide us with the information underlying their assumptions about the provisions in the House Reconciliation bill. The following estimate of Medicare cuts in the House bill is based on a review of the House Budget Committee's report on the reconciliation bill. The numbers are preliminary.

Medicare Cuts in the House-passed Reconciliation Bill

	<u>FY 1994</u>	<u>FY 1994-8</u>
New Medicare Spending Cuts	\$3,032 M	\$43,560 M
Additional Savings from Extension of Current Law	\$0 M	\$14,346 M
TOTALS --	\$3,032 M	\$57,906 M

SEE ATTACHMENT FOR MORE DETAILS.

June 2, 1993

NEW MEDICARE SPENDING CUTS IN THE HOUSE-PASSED RECONCILIATION BILL

<u>Committee</u>	<u>Provision</u>	<u>FY 1994</u>	<u>FY 1994-8</u>
Energy &	Lab Services	285 M	3,220 M
	Physician Ownership/self-referral (1)		
	Freeze Amb. Surgery Pmt Rate	11 M	65 M
	Durable Medical Equipment (2)	81 M	788 M
	Subtotals --	\$377 M	\$4,073 M
Ways & Means	Medicare Part A Freeze	\$2,002 M	\$28,383 M
	Medicare Part B Freeze	475 M	8,040 M
	Durable Medical Equipment (2)	24 M	434 M
	Nurse Anesthetist Pmts	5 M	63 M
	Education & Home Health Freeze	121 M	1,974 M
	Physician Ownership/self-referral	0 M	350 M
	Reduction EPO Pmts	28 M	243 M
	Subtotals --	\$2,655 M	\$39,487 M
		<u>FY 1994</u>	<u>FY 1994-8</u>
TOTAL <u>NEW</u> MEDICARE CUTS		\$3,032 M	\$43,560 M

- Notes: (1) Both Committees reported identical savings from these provisions. But the cut is only counted once.
(2) DME savings adjusted to void double-counting.

MEDICARE SAVINGS FROM EXTENSION OF CURRENT LAW IN RECONCILIATION BILL

<u>Provision</u>	<u>FY 1994</u>	<u>FY 1994-8</u>
Medicare Secondary Payor *	\$0 M	\$4,275 M
Medicare Part B Premiums *	0 M	8,078 M
Medicare Outpatient Services #	0 M	1,993 M
TOTALS --	\$0 M	\$14,346 M

- Notes: * Both Committees reported identical savings from these provisions. But the cut is only counted once.
Only the Energy & Commerce Committee approved extension of this provision, but it was included in the bill reported out of the House Budget Committee.

HOUSE VOTE

MAY 27 '93 15:27

LESLIE L. BYRNE
11th DISTRICT, VIRGINIA

COMMITTEE
PUBLIC WORKS AND TRANSPORTATION
SUBCOMMITTEES:
SURFACE TRANSPORTATION
WATER RESOURCES AND ENVIRONMENT
INVESTIGATIONS AND OVERSIGHT



PAGE.001

WASHINGTON OFFICE
1400 LONGWORTH BUILDING
WASHINGTON, D.C. 20515
CDD 225-1400
FAX CDD 225-2274

DISTRICT OFFICE
7632 LITTLE RIVER TURNPIKE
SUITE 201
ARLINGTON, VA 22203
(703) 750-1982
FAX 750-2088

POST
COMPEN

**FYI - EVIDENCE ON
DEMOCRAT ARM-
TWISTING ON
HOUSE VOTE**

House of the United States
of Representatives
Room, HC 20515-4611

FILE COVER

MAN CLASS!

DEM. CAUCUS

Fax # : ()

From : **BILL O'NEIL**

Fax # : (202)225-2274

**TIME SENSITIVE
DOCUMENT!**

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THE ATTACHED LETTER ON THE
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PLEASE BRING THIS LETTER TO
YOUR MEMBERS ATTENTION.**

**IF YOUR MEMBER WOULD LIKE
TO SIGN AND MISSED REP. BYRNE
ON THE FLOOR, CALL 51492 AND
ASK FOR BILL. THANKS.**

MAY 27 '93 15:27

LESLIE L. BYRNE
11th DISTRICT, VIRGINIA

COMMITTEE
PUBLIC WORKS AND TRANSPORTATION

SUBCOMMITTEES:
SURFACE TRANSPORTATION
WATER RESOURCES AND ENVIRONMENT
INVESTIGATIONS AND OVERSIGHT

COMMITTEE
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SUBCOMMITTEE:
COMPENSATION AND EMPLOYEE BENEFITS



Congress of the United States
House of Representatives
Washington, DC 20515-4611

PAGE.001

WASHINGTON OFFICE
1600 LONGWORTH BUILDING
WASHINGTON, D.C. 20515
CDD 225-1400
FAX CDD 225-2274

DISTRICT OFFICE
7630 LITTLE ROCK TURNPIKE
SUITE 200
ARLINGTON, VA 22203
(703) 750-1300
FAX 750-3000

FACSIMILE COVER

URGENT: FRESHMAN CLASS!

To: L.D. / HOUSE DEM. CAUCUS

Fax #: () ~~XXXXXXXXXX~~

From: BILL O'NEIL

Fax #: (202)225-2274

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Comments: REP. BYRNE IS CIRCULATING
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ON THE FLOOR, CALL 51492 AND
ASK FOR BILL. THANKS.

Congress of the United States
House of Representatives
Washington, DC 20515

May 27, 1993

The Honorable
Steny H. Hoyer
Chairman
House Democratic Caucus
718 O'Neill House Office Building
Washington, D. C. 20515

Dear Mr. Chairman:

Pursuant to the *Rules of the Democratic Caucus, Rule 5 A*, we are writing to request that a meeting of the Democratic Caucus be convened, immediately following the District Work Period, for the purpose of removing House Committee Chairs and Subcommittee Chairs who voted in opposition to the Omnibus Budget Reconciliation Act of 1993.

We respectfully request that immediate notice be given to all members in that regard.

Sincerely,

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.

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.

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		
Y	Furse	Y	Menendez		
Y	Green	N	Minge		
Y	Gutierrez	Y	Pomeroy		

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

51-11

62 TOT

TRAVELGATE

June 11, 1993

Senator Dole--

The Attorney General has the statutory and regulatory authority to appoint a special counsel whether or not the independent counsel statute is reauthorized.

In the Bush Administration, Attorney General Bill Barr appointed special counsels in the House Bank scandal, and in the B.N.L. and Inslaw cases. So there's plenty of precedent for this approach. Barr appointed special counsels, not independent counsels under the independent counsel statute.

Dennis

June 10, 1993
M E M O R A N D U M

TO: SENATOR DOLE
FROM: DENNIS SHEA
SUBJECT: TRAVELGATE/AMENDMENT TO THE SUPPLEMENTAL

As you know, the Senate will soon consider the Supplemental Appropriations bill, which contains \$11.8 million in funding for the White House.

When the Supplemental gets to the floor, you may want to consider the following amendments:

- * Option 1. An amendment delaying the appropriation for the White House until the McLarty/Panetta report on Travelgate is publicly released.
- * Option 2. An amendment delaying the appropriation for the White House until the Senate and House Judiciary Committees complete hearings on Travelgate. As you know, neither Senator Biden nor Jack Brooks has responded to the hearing requests.
- * Option 3. A sense of the Senate amendment that Attorney General Reno should appoint a special counsel to investigate Travelgate.
- * Option 4. A sense of the Senate amendment that the President should take "appropriate disciplinary action" against any White House employee who attempted to improperly involve the FBI or the IRS in the White House Travel Office affair. This amendment is a modified version of the amendment you offered to the campaign finance reform bill.
- * Option 5. No amendment, but prepare floor statement. Are you interested in any of the options?

Option 1 _____

Option 2 _____

Option 3 _____

Option 4 _____

Option 5 _____

If you decide to offer an amendment, I will inform Senator Bond's staff.

cc: Kathy Ormiston

Bob Dole



NEWS

U.S. SENATOR FOR KANSAS

FROM:

SENATE REPUBLICAN LEADER

FOR IMMEDIATE RELEASE
JUNE 11, 1993

CONTACT: WALT RIKER
(202) 224-5358

TRAVELGATE COVERUP??

DOLE CALLS FOR CONGRESSIONAL PROBE; RELEASES IRS & FBI
CORRESPONDENCE; TRAVELGATE PLOT THICKENS BUT WHITE HOUSE INTERNAL
INVESTIGATION HAS NO CREDIBILITY; LOTS OF QUESTIONS, FEW ANSWERS.

WASHINGTON -- As more damaging evidence becomes public in the ongoing Travelgate scandal at the White House, Senate Republican Leader Bob Dole today called for a Congressional probe to look into the apparent political abuse of the FBI and the IRS.

Meanwhile, Senator Dole also released Travelgate correspondence with FBI Director William Sessions, Attorney-General Janet Reno, IRS Commissioner Margaret Richardson and Treasury Secretary Lloyd Bentsen, letters Dole says "raise many more disturbing questions."

"Americans are deeply troubled when they hear that the FBI and IRS may be getting political marching orders from the White House. And people are now wondering if there's a coverup going on. Well, there might be, and there might not be. But how would we know? The White House's fox-in-the-chicken-coop 'internal investigation' has absolutely no credibility, and the Democrat-controlled Congress has shown no willingness to demand accountability from a Democrat-controlled White House," Dole said.

"The media have exposed some tantalizing evidence, but it's time now for the Congress to act, to get the facts out and to let the chips fall where they may. When any party tries to turn government agencies into political body guards, we've got a crisis of confidence," Dole said.

"Unfortunately, today's White House briefing makes clear the Administration won't call for a special counsel, will only release 'components' of its own internal review, and sees no reason for Congressional oversight. If the White House continues to stall and evade, it will only have itself to blame if the charge of coverup starts to stick."

Earlier today, Dole joined with Senator Charles Grassley in writing to Senator David Pryor, Chairman of the Subcommittee on Private Pension Plans and Oversight of the Internal Revenue Service, requesting a hearing into the possible involvement of the IRS in the Travelgate scandal. Dole also wrote to Senator Joseph Biden, renewing his request for a Judiciary Committee investigation.

#

TRAVELGATE CORRESPONDENCE

1. Letters to Senator Biden--May 24, June 2, June 11

Purpose: Request for hearings by Judiciary Committee

Status: No response; Stonewall

2. Letter to Attorney General Janet Reno--May 24

Purpose: Request for an explanation of press reports suggesting FBI involvement in Travelgate, including the attendance of an FBI agent at a White House "political strategy session" convened to deal with the media fallout from the Travel Office firings.

Status: No response

3. Letters to FBI Director William Sessions--May 24, June 7, and June 11

Purpose: The May 24th letter was a request for an explanation of the FBI's involvement in Travelgate.

Sessions responded to the May 24th letter with a three-page letter on June 2. This letter was prompt, but less-than-forthcoming. It raised a number of additional questions that should be sorted out through the hearing process, rather than through correspondence.

Since Senator Biden has not scheduled hearings, you sent a second letter to Sessions on June 7th asking for a more detailed account of the FBI's involvement in Travelgate.

On June 11th, you sent a third letter to Sessions asking for a copy of the FBI document mentioning the possible White House contact with the IRS. The existence of this document was confirmed in today's Washington Post article.

Status: No response to June 7th and June 11th letters

4. Letters to Secretary Bentsen--June 4th and June 10th

Purpose: To inquire about the allegations of the IRS's possible involvement in Travelgate.

Status: In a June 10th response, Bentsen indicated he had no knowledge of White House contacts with the IRS. He also said that the IRS Inspection Service had been directed to review the matter.

On June 11th, you sent a follow-up letter to Bentsen requesting to be informed of the results of the Inspection Service investigation.

5. Letters to IRS Commissioner Margaret Richardson--June 4th and June 9th

Purpose: To inquire about the allegations of the IRS's possible involvement in Travelgate.

Status: Richardson and Bentsen gave the same response to your inquiry.

6. Letter to Senator David Pryor--June 11

Purpose: Request for hearings by the Subcommittee on Private Pension Plans and Oversight of the Internal Revenue Service in light of FBI document suggesting White House manipulation of the IRS.

Status: No response; letter was just sent today.

United States Senate

OFFICE OF THE REPUBLICAN LEADER

WASHINGTON, DC 20510-7020

June 11, 1993

The Honorable David H. Pryor
Chairman
Subcommittee on Private Pension Plans and
Oversight of the Internal Revenue Service
Dirksen 205
Washington, D.C. 20510

Dear Dave:

We are writing to urge you to convene a hearing to review the apparent involvement of the Internal Revenue Service in the controversy surrounding the White House Travel Office.

News reports suggest that three IRS agents appeared unannounced at the Smyrna, Tennessee office of Ultrair, one of the airline charter companies that had previously done business with the Travel Office. The agents presented company officials with a summons for company documents, including documents relating to the Travel Office. The IRS action took place on the very day of a White House "political strategy" session, convened to deal with the media fallout from the Travel Office firings.

The IRS agents involved said they were acting on their own, claiming that after reading newspaper reports they "had some concerns that the relationship between Ultrair and the White House wasn't on the up and up."

In today's edition, the Washington Post now reports that the FBI prepared a summary of a May 13th conversation between White House Associate Counsel William Kennedy and an FBI supervisor. According to the Post, the summary suggests that White House officials intended to "use" the IRS to investigate the Travel Office, if the FBI did not "immediately" conduct an investigation of its own.

Dave, this is serious business. We are sure you agree that the American people deserve to have confidence in an IRS that makes its decisions free of political considerations. Congress should not delay in getting to the bottom of this tawdry affair.

Thank you for your prompt consideration of this request.

Sincerely,


BOB DOLE


CHARLES E. GRASSLEY

United States Senate

OFFICE OF THE REPUBLICAN LEADER
WASHINGTON, DC 20510-7020

June 11, 1993

The Honorable Joseph R. Biden, Jr.
United States Senate
Washington, D.C. 20510

Dear Joe:

No doubt, you agree that Congress has the responsibility to ensure that our nation's top law enforcement agencies make their decisions free of political considerations. Unfortunately, Congress has chosen to stand on the sidelines, as more disturbing revelations come to light in the press about the so-called Travelgate affair.

I am enclosing a letter that Chuck Grassley and I sent earlier today to Dave Pryor, who chairs the Subcommittee on Private Pension Plans and Oversight of the Internal Revenue Service.

Joe, once again, I renew my request that the Judiciary Committee convene hearings immediately to get to the bottom of the apparent political manipulation of the FBI and the IRS.

Sincerely,



BOB DOLE

BD/ds

Enclosure



U.S. Department of Justice

Federal Bureau of Investigation

Office of the Director

Washington, D.C. 20535

June 2, 1993

Honorable Bob Dole
United States Senate
Washington, D.C.

Dear Senator Dole:

Thank you for your letter of May 24th concerning the FBI's investigation into allegations of wrongdoing at the White House Travel Office. I certainly agree that the issues that have been raised must be addressed promptly. I have asked Associate Deputy Director Weldon Kennedy to conduct a careful review of the FBI's handling of this matter. We will provide the results of this review to the Attorney General. While that review has not been completed, I believe I can address your specific questions.

You asked which Administration official originally contacted the FBI. I have been advised that on May 12, 1993, William Kennedy, Associate Counsel to the President, called an FBI official with whom he had day-to-day contact on background investigation matters and advised that he needed guidance and assistance on a matter involving possible embezzlement of funds. On May 13th, FBI officials met twice with Mr. Kennedy at his office after Mr. Kennedy declined to discuss the matter further on the telephone. The FBI went to the White House for the purpose of accepting a complaint of possible criminal activity. On May 14th, Mr. Kennedy on two occasions contacted the FBI by telephone and provided additional information concerning an audit being conducted at the Travel Office and discrepancies being found by the auditors. Also on May 14th, the information received was first brought to the attention of the Fraud Section and then discussed with the Public Integrity Section of the Department of Justice. The discussion centered around the information received, a preliminary assessment of that information, potential evidentiary issues and the predication for the investigation. At that point, the Public Integrity Section agreed with the FBI that there was sufficient predication to continue the inquiry.



Honorable Bob Dole

Next you asked why the FBI issued a press release. In that regard, I have been advised that on Wednesday, May 19th, the White House, at one of its daily press briefings, publicly acknowledged that the FBI was being called in to investigate financial irregularities in the White House Travel Office. In response to the large number of press inquiries generated as a result of this announcement, the FBI prepared and issued a short press release indicating that the FBI would review the matter. This is consistent with and provided for in the Department of Justice Media Guidelines. A copy was sent to the Department of Justice for coordination and to the White House consistent with existing practice of sending courtesy "informational" copies to other agencies when the release is of interest to that entity.

The next day, on May 20th, the White House announced at one of its daily press briefings that the FBI had in fact been called in to investigate and the FBI had been to the White House on May 13th and 15th. As a result, the FBI prepared a more lengthy press "response" indicating that the FBI would analyze the findings of the auditors called in by the White House and then decide on the next steps to take in the investigation. Again, copies were sent in advance to the Department of Justice and to the White House for information. The FBI uses press "responses" as guidance for responding to specific inquiries rather than to distribute generally to the media. This was used by the FBI to respond to press inquiries.

On Friday, May 21st, the FBI was receiving media inquiries asking specifically if the FBI believed it had a basis to conduct a criminal investigation. At that point, the FBI began confirming that criminal investigations are carefully governed by Attorney General guidelines and that the threshold for conducting a criminal investigation had been met, i.e., there was a basis for the FBI to conduct a criminal investigation. That afternoon, a staff member in the White House Press Office asked the official that oversees the FBI's Press Office to the White House for the stated purpose of ensuring the description used by the White House of the FBI's involvement was accurate and whether it could be said that the FBI believed it had a basis to conduct an investigation. The descriptions given were confirmed as accurate. Subsequent to that contact, the FBI revised its press "response" in recognition of the nature of the current press inquiries being received by the FBI and the likelihood that the White House would again discuss that point at a press briefing. As on the prior occasions, a copy was sent to the Department of Justice and a courtesy copy was sent to the White House. The White House unexpectedly distributed the response.

Honorable Bob Dole

Because the FBI criminal investigation into the allegations about the Travel Office is continuing, I am not yet able to respond to your specific question about the status of the investigation other than to say that it is ongoing. You can be assured that we will investigate the allegations thoroughly and carefully until the allegations of criminal wrongdoing can be resolved.

Finally, you asked if it is the normal practice for the FBI to issue a press release concerning pending criminal investigations. That is our practice only with high profile investigations that have been confirmed publicly by a credible source or with other major investigations where it has become obvious that we are investigating and it is deemed appropriate to assure the public that the matter is being addressed. Recent examples include the bombing of the World Trade Center, the investigation into allegations of tampering with then presidential candidate Clinton's passport files, and the murder of U.S. Court of Appeals Judge Vance. Confirmation of criminal investigations under these circumstances is specifically provided for in the long standing Department of Justice Media Guidelines.

I wholeheartedly agree with the implication of your letter; that is, the FBI must not even appear to be subject to political influence. The Attorney General has already taken steps to further ensure that does not happen and that even the appearance of influence is not created. On the other hand, regardless of the sensitivity or the involvement of another Government entity, including the White House, the FBI must not be hesitant to investigate credible allegations of criminal misconduct.

Sincerely yours,



William S. Sessions
Director

United States Senate

OFFICE OF THE REPUBLICAN LEADER
WASHINGTON, DC 20510-7020

June 7, 1993

The Honorable William S. Sessions
Office of the Director
Federal Bureau of Investigation
U.S. Department of Justice
Washington, D.C. 20535

Dear Judge Sessions:

Thank you for your letter of June 2nd concerning the FBI's investigation into the controversy involving the White House Travel Office. I appreciate your prompt response.

Your letter raises a number of additional questions to which I would appreciate a response. These questions are outlined below.

1. Your letter states that "on May 12, 1993, William Kennedy, Associate Counsel to the President, called an FBI official with whom he had day-to-day contact on background investigation matters and advised that he needed guidance and assistance on a matter involving possible embezzlement of funds."

In light of this statement, would you please:

- a. Provide the name of the FBI official whom Mr. Kennedy contacted on May 12th.
- b. Describe any relevant experience the FBI official may possess on the issue of "embezzlement of funds."
- c. Explain whether Mr. Kennedy's contact with the FBI agent followed standard procedures governing White House-FBI contacts on potential criminal matters. Did Mr. Kennedy indicate that his contact with the FBI official had been authorized by someone else within the Executive Branch?
- d. Provide a copy of the Memorandum of Understanding between the White House and the FBI pursuant to which Mr. Kennedy had "day-to-day contact with the FBI on background investigation matters."

2. Your letter states that "[o]n May 13th, FBI officials met twice with Mr. Kennedy at his office after Mr. Kennedy declined to discuss the matter further on the telephone. The FBI went to the White House for the purpose of accepting a complaint of possible misconduct."

In light of this statement, would you please:

- a. Provide the names and titles of the FBI agents who met with Mr. Kennedy on May 13th. Who at the FBI authorized these agents to attend the White House meeting?
- b. Provide the names of everyone with whom the FBI agents met at the White House on May 13. For example, did the agents meet with Ms. Catherine Cornelius? If so, were they advised of her interest in assuming control of the Travel Office? Did the agents meet with Mr. Harry Thomason, Mr. Darnell Martens, or Ms. Penny Sample? If so, were they advised of their involvement in the airline charter business? Please include the names of all Executive Branch employees present, including White House staff.
- c. Describe the "complaint of possible misconduct" accepted by the FBI agents. Upon what evidence did Mr. Kennedy base his complaint? Who, within the White House, compiled this evidence? Did the FBI agents recommend a course of action to Mr. Kennedy?

3. Your letter states that "[o]n May 14th, Mr. Kennedy on two occasions contacted the FBI by telephone and provided additional information concerning an audit being conducted at the Travel Office and discrepancies being found by the auditors."

In light of this statement, would you please:

- a. Identify the names and titles of the individuals at the FBI who were contacted by Mr. Kennedy on May 14.
- b. Describe Mr. Kennedy's representations to the FBI about the "audit being conducted." Did Mr. Kennedy indicate who within the Executive Branch had proposed that an audit be performed? It is my understanding that Peat Marwick conducted only a preliminary review of the Travel Office, not an audit, and that the preliminary review did not begin until sometime in the afternoon of May 14. Peat Marwick subsequently wrote a heavily-qualified report to Mr. Kennedy, dated May 17th.
- c. Describe, if possible, the "discrepancies" that Mr. Kennedy stated were "being found by the auditors" on May 14th.

4. Your letter states that "[t]he discussion [with the Public Integrity Section of the Department of Justice] centered around the information received, a preliminary assessment of that information, potential evidentiary issues and the predication for the investigation. At that point, the Public Integrity Section

agreed with the FBI that there was sufficient predication to continue the inquiry (emphasis added)."

In light of this statement, would you please:

- a. Provide the names of the officials in the Public Integrity Section and the Fraud Section with whom the FBI consulted.
- b. Provide a summary, if possible, of the "information received" and the FBI's "preliminary assessment of that information."
- c. Provide the names of the FBI officials who determined that "there was sufficient predication to continue the inquiry." Did these officials consult with anyone outside the FBI or the Department of Justice before making this determination?
- d. Provide a copy of the Department of Justice guidelines for determining whether there is "sufficient predication to continue an inquiry."
- e. Explain whether the FBI distinguishes between "investigations" and "inquiries."

5. Your letter states that "the White House announced at one of its daily press briefings that the FBI had in fact been called in to investigate and the FBI had been to the White House on May 13th and May 15th."

In light of this statement, would you please:

- a. Identify the names and titles of the FBI officials who went to the White House on May 15th. Who at the FBI authorized the FBI officials to go to the White House on May 15th? Who at the White House requested the FBI visit?
- b. Provide a list of everyone with whom the FBI officials met during their White House visit of May 15th. For example, did they meet with Ms. Catherine Cornelius, Mr. Harry Thomason, Mr. Darnell Martens, or Ms. Penny Sample? Please include the names of all Executive Branch employees present, including White House staff.
- c. Explain the purpose of the White House visit by FBI officials on May 15th. For example, you stated that FBI officials went to the White House on May 13th for the purpose of "accepting a complaint of possible misconduct?" Did FBI officials visit the White House on May 15th for a similar purpose?

6. Your letter states that "[o]n May 19th, the White House, at one of its daily press briefings, publicly acknowledged that the FBI was being called in to investigate financial irregularities in the White House Travel Office. In response to the large number of press inquiries generated as a result of the announcement, the FBI prepared and issued a short press release indicating that the FBI would review the matter (emphasis added)." Your letter also states that "[on May 20th], the FBI prepared a more lengthy press 'response' indicating that the FBI would analyze the findings of the auditors called in by the White House and then decide on the next steps to take in the investigation (emphasis added)." It is my understanding that the FBI issued a press statement on May 21st indicating that "additional criminal investigation is warranted (emphasis added)."

In light of these statements, would you please:

- a. Provide copies of the FBI press release of May 19th and the press response of May 20th.
- b. Explain what the FBI knew on May 21 that it did not know on May 19 and May 20, justifying a public statement of potential criminal wrongdoing by the former employees of the Travel Office? For example, by May 21st, had the FBI already analyzed the findings of the auditors? If so, please describe the scope of this analysis.
- c. Explain what steps the FBI took to evaluate the validity of the "findings of the auditors?" For example, before issuing the May 21st press statement, did the FBI determine whether the "audit" was performed in accordance with generally accepted government auditing standards? Did the FBI make a separate determination that the auditors were independent of the White House, in fact as well as in appearance? Did the FBI first determine that enough time and resources were allocated to perform the audit adequately? Did the FBI base its determination that a criminal investigation was warranted solely on the "findings of the auditors?"

7. Your letter states that "[o]n May 21st, the FBI was receiving media inquiries asking specifically if the FBI believed it had a basis to conduct a criminal investigation. At that point, the FBI began confirming that criminal investigations are carefully governed by Attorney General guidelines and that the threshold for conducting a criminal investigation had been met...."

In light of this statement, would you please:

- a. Identify by name and news organization those members of the media to whom the FBI confirmed--prior to the release of the FBI press response by the White House--that the threshold for a criminal investigation had been met. Please identify the FBI official who confirmed these reports.
- b. Describe the threshold that must be met for a criminal investigation to be initiated by the FBI.
- c. Provide a copy of the Justice Department Media Guidelines that govern the circumstances that would allow the FBI to confirm a criminal investigation.

8. Your letter states that "[on the] afternoon of [May 21st], a staff member in the White House Press Office asked the official that oversees the FBI's Press Office to the White House for the stated purpose of ensuring the description used by the White House of the FBI's involvement was accurate and whether it could be said that the FBI believed it had a basis to conduct an investigation. The descriptions given were confirmed as accurate."

In light of this statement, would you please:

- a. Provide the name of the staff member in the White House Press office who contacted the FBI official heading the FBI's Press Office.
- b. Provide a specific description of the conversation that took place between the staff member in the White House Press Office and the FBI official heading the FBI's Press Office prior to the FBI official's decision to attend the White House meeting. For example, did the staff member in the White House Press Office indicate that he or she was acting on behalf of someone else? Was the FBI official pressured, in any way, to attend the meeting? Did the FBI official express any reservations about attending the meeting, which White House officials have publicly described as a "political strategy session?"
- c. Explain whether the FBI official received, or sought, authorization from you or from anyone else prior to attending the White House meeting.
- d. Provide a detailed summary of what was said at, and who attended, the White House meeting of May 21st, including the "descriptions" that were given to the FBI by the White House, which the FBI subsequently confirmed.

- e. During the White House meeting of May 21st, or at anytime during the FBI's investigation into the Travel Office, was the FBI made aware of the participation of the Internal Revenue Service in the investigation? Did the FBI have any contact with the Treasury Department or the Internal Revenue Service concerning the Travel Office investigation?

9. Your letter states that "the FBI revised its press 'response' in recognition of the nature of the current press inquiries being received by the FBI and the likelihood that the White House would again discuss that point at the press briefing."

In light of this statement, would you please:

- a. Explain how the FBI press response was "revised," including any specific revisions that were made or suggested.
- b. State whether any White House official suggested or requested the revisions. If so, please provide the text that the White House proposed to add to the press response and the text that the White House proposed to delete from the FBI draft. Please identify the White House official or officials who may have made these suggestions or requests.
- c. Provide a detailed summary of the "current press inquiries" that were then being received by the FBI.

10. Your letter states that the "White House unexpectedly distributed the response."

In light of this statement, would you please:

- a. Explain why the distribution of the response by the White House was "unexpected."
- b. Explain the extent to which FBI officials instructed White House officials that distribution of the press response would be inappropriate.
- c. Describe assurances, if any, provided by White House officials that the response would, or would not, be distributed to the media.
- d. Explain why the press response was on Justice Department stationery if it was not intended for public release. Is it customary FBI practice to propose press responses on Justice Department stationery?

- e. List and describe any contacts or communications between White House officials and the FBI after the response was unexpectedly distributed to the media.

11. Your letter states that it "is our practice [to issue a press release] only with high profile investigations that have been confirmed publicly by a credible source or with other major investigations.....Recent examples include the bombing of the World Trade Center, the investigation into allegations of tampering with then presidential candidate Clinton's passport files, and the murder of U.S. Court of Appeals Judge Vance."

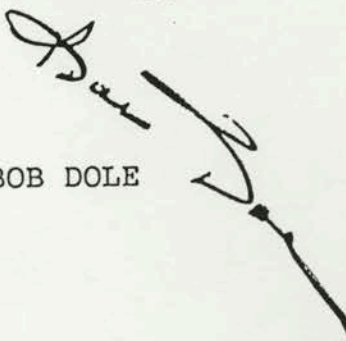
In light of this statement, would you please:

- a. Provide copies of all press responses and press releases issued in connection with these investigations.

Judge Sessions, please provide any documents, memoranda, notes, or other written material that you believe would be helpful in responding to the questions raised in this letter.

Thanks in advance for complying with this request. I look forward to hearing from you.

Sincerely,

A handwritten signature in dark ink, appearing to read "Bob Dole", written in a cursive style.

BOB DOLE

BD/ds

June 4, 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, not once but twice, 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.
- * If Senator Biden denies our hearing request, we will have to look at other options.
- * One option would be to ask Attorney General Reno to appoint a special counsel. In the Bush Administration, Attorney General Bill Barr appointed special counsels in the House Bank scandal, and in the B.N.L. and Inslaw cases....So there's plenty of precedent for this approach. And I know that Attorney General Reno herself has expressed deep concerns about the way the FBI was mishandled by the White House handlers.
- * A second option would be to empanel a special Congressional Committee to look into the whole Travelgate affair....Just like the Iran-contra Committee. Later this week, I may offer an amendment to the Supplemental Appropriations bill, which provides additional funding for White House operations, calling for the creation of a special investigatory committee.

TAX - SR / CAS

June 11, 1993

MEMORANDUM

TO: SENATOR DOLE
FROM: NINA OVIEDO
SUBJECT: SFC UPDATE

Joe Gale, SFC Majority Tax Counsel, called to report that the Democrat SFC Members broke up about noon today. They will not reconvene until 10 a.m. Tuesday; staff is to work over the weekend. Mark up is not anticipated before Wednesday of next week. (Privately Joe said that staff could not be ready before Thursday, June 17.) Budget Resolution deadline is Friday, June 18. According to Joe, the members are hoping to come to agreement on Tuesday.

Baucus

I hear from other Democrat staff that it is still all up in the air. There is tremendous pressure on Senator Baucus to get in line and support the transportation fuels tax. At this time, according to his tax counsel, Senator Baucus is the only one holding up the bill and he is not caving in. Apparently, Baucus is having an especially hard time because Montana recently rejected a sales tax. Baucus' tax counsel says that Baucus is considering an amendment striking all energy provisions out of the bill.

I understand that there may be 5 or 6 non-SFC Democrat Senators who want to help Baucus. They may hold a press conference this afternoon. Baucus will be on the talk shows this weekend. Citizens for a Sound Economy are holding a press conference in Montana on Monday in an effort to bolster Senator Baucus.

June 9, 1993

MEMORANDUM

TO: SENATOR DOLE
FROM: NINA OVIEDO
SUBJECT: SFC UPDATE

The word is that the SFC Democrats are meeting at 6 p.m. tonight. We understand that Moynihan was personally calling members and was quoted as saying "I have a plan everyone will agree to." Neither Ed nor Lindy have been notified of a meeting or mark-up date. Could it happen tomorrow or Friday?

BREAUX'S TRANSPORTATION TAX

As you know, Senator Breaux announced his "compromise" proposal this afternoon -- a transportation fuels tax.

The 7.3 cents per gallon tax is applied to all fuels for transportation including cars, trucks, boats trains and airplanes. The tax raises \$40 billion in revenues over five years. To make up the difference, Senator Breaux has proposed about \$30 billion in spending cuts -- reducing Medicare, Part B premium for couples earning \$100,000 (individuals \$75,000); requiring a 10 percent co-payment for home health services and reducing hospital "market basket" increases. Additional cuts would come from "restraining growth of hospitals' annual Medicare fee increases over 5 years."

June 4, 1993

M E M O R A N D U M

TO: SENATOR DOLE
FROM: NINA OVIEDO (Home: 202/966-6298; work: 202/224-4638)
SUBJECT: SFC UPDATE

On Wednesday, June 2, Joe Gale, SFC Chief Tax Counsel (majority), reported that no decision has been made regarding a mark-up date. However, other majority staff have privately told me that Wednesday, June 9th is the "official" start date. There is also speculation that Chairman Moynihan's Chief of Staff will be pulling together a "chairman's mark" this weekend. The Democrat staff were asked to provide a one page description on priority items.

BOREN

According to Boren's tax counsel, Senator Boren would accept a gas tax increase that is less than the increase inherent in the BTU tax. Under the BTU, gasoline prices would increase approximately 8 cents per gallon. (So I guess that means that a 7 and 3/4 cents increase might satisfy Boren.) As you may remember, in 1990, Boren fought increasing the gas tax but then finally agreed to a five cent increase.

Boren's staff continues to state that Boren will not vote for a package containing the BTU. It was reported by the press that Boren and Clinton have agreed to meet next week. Boren's staff says they haven't even talked, so no meeting is scheduled.

OTHER COMMITTEE MEMBERS

Some are speculating that Moynihan will exempt farmers from the btu for Conrad and will develop some kind of border adjustment for exports for Breaux. (Baucus is working on legislative language for the export provision.) To give Boren something, the speculation goes that he would get the IPAA marginal well production credit which I understand is at the top of his "goodies" list.

REVENUE IMPACT -- CERTAIN TAX PROVISIONS

Individual Rate Increase

You asked about the revenue effects of changing the effective date of the individual rate increase. Sheila raised concerns about "talking-up" a change for a prospective effective

date. She feels it may signal a willingness to accept rate increases.

I was unable to reach Joint Tax or Committee staff. The following is the revenue stream of the rate increase. (As presented by Joint Tax it includes the surtax on income over \$250,000, the increase in minimum tax and the extension of PEP and Pease for 1996 and 1997). (in Millions of Dollars)

<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>'94-'98</u>
26,083	17,572	20,590	24,584	26,263	115,091

Meals and Entertainment

Reducing the deductible portion of business meals and entertainment from 80% to 50% raises \$15.287 billion over 5 years.

Social Security Tax Increase raises \$31.998 billion over 5 years.

Corporate Tax Rate Increase to 35 percent raises \$16.421 billion.

Inland Waterways Fuel Tax Increase raises \$486 million.

SUPPLEMENTAL

June 8, 1993

TO: Senator Dole
FROM: Kathy Ormiston
SUBJECT: Supplemental Appropriations

One point you may want to make is the Dole/Hatfield Substitute was more generous than S. 2118, the Supplemental that the Senate may consider on Wednesday.

	<u>Hatfield</u>	<u>S. 2118</u>
Highways	1,000	0
Immunization	300	0
Summer Jobs	450	200
SBA	100	0
Natural Resource Protection	150	0
Total	2,000	1,878

25% cut in Cong/WH

June 4, 1993

TO: Senator Dole
FROM: Kathy Ormiston
SUBJECT: White House Appropriations

The Treasury Postal Bill was marked up in Subcommittee last week. The Committee reduced funding for Executive Office of the President from \$320 million in 1993 to \$268 million in 1994, a cut of \$52.7 million from 1993 levels. Most of these savings are from a \$97 million reduction in the Office of National Drug Control Policy. The White House funding was actually increased from \$35.4 million to \$38.9 million -- a \$3.5 million hike.

June 4, 1993

TO: Senator Dole
FROM: Kathy Ormiston
SUBJECT: Legislative Branch

The House Legislative Branch bill has been marked up in Subcommittee. It will go to full Committee early this week. The thought is if the legislative branch is one of the first appropriations bills to go to the House Floor, the freshman won't know how to amend it.

The outlays in the bill are 5 percent lower than 1993 levels, the budget authority is 1 percent lower. The bill contains no COLA's or merit raises. There are also staff reductions of 920 workers.

Chairman Fazio says this will put Congress on track for a 25 percent reduction in personnel and administrative costs over five years -- the same as President Clinton's goal for the Executive Branch. Republicans think this assessment is too optimistic. Representative Charles Taylor offered an amendment to cut 25 percent across the board from the bill, but it was rejected by voice vote.

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.

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.

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