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TO: Matthew A. Vogel ( CN=Matthew A. Vogel/OU=OVP/O=EOP [ OVP ] )  
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the depreciation of industrial plants and machinery. But it wasn't, in Bauer's parlance, simply a flat tax. No, it was 'a family-friendly flat tax,' one 'that puts our people first'--a tax, that is, with a purpose, of helping some people at others' expense. Bauer 'is a conservative social engineer,' grouses Edward H. Crane, the founder and president of the Cato Institute, a libertarian think tank. 'He has no principled objection to federal action to get people to do things that he thinks should be done.'

Shades of Jimmy Carter. Bauer claims the ideological mantle of Ronald Reagan, whom he served as the top White House domestic policy adviser in 1987-88. But, in a fundamental way, he doesn't deserve it. Reagan regarded government as a necessary evil, something to be removed from Americans' collective backs. He believed in undoing the New Deal apparatus of governmental subsidies and regulation, to restore America to the small-town, halcyon past found in his most evocative movies.

That's not Bauer. In all sorts of ways, he wants to wield the power of the federal government to make the world a better place. And he isn't alone in this. Nearly all of his rivals for the presidency in next year's election feel the same. As the candidates argue over education or Social Security or helping the poor, 'everyone in that debate acknowledges a role for government in forcing some redistribution of resources,' says Jeffrey A. Eisenach, once an ideas man for former House Speaker Newt Gingrich, R-Ga., and now the president of the Progress & Freedom Foundation, a conservative think tank. 'The debate is over method.'

It's no surprise to see Democrats who aspire to the White House natter on about ambitious new federal programs, such as the recent proposals to assure that every child has health insurance (Bill Bradley) and a year of pre-kindergarten education (Al Gore). A certain faith in government also comes naturally to the Reform Party, which aims to change Washington's political culture so that the federal government works more in the voters' true interests than it has of late.

Seeing the GOP's would-be Presidents gush about using government to solve society's ills, however, is more of a shock. The GOP's Governors, who are constantly under pressure to deliver quotidian services to querulous voters, have been talking like that for a while. (See NJ, 2/20/99, p. 454.) But now this tendency toward--shall we whisper the word?--activism has spread to the national party as well. Except possibly for Steve Forbes, the Republican presidential hopefuls allude to Washington as not only part of the problem, but as part of the solution. They don't favor an expansive government, and frequently give lip service to just the opposite, but they want a government that's strong and effective, capable of playing a vital--and salutary--role in people's lives.

They're looking for 'a governing conservatism,' Eisenach says, one that's suited to a post-New Deal era, that 'has a role in creating institutions that structure the market.' Candidates might propose delivering services by means of market-based mechanisms, such as vouchers or privatized accounts, but they would still anoint winners and losers by funneling the taxpayers' beneficences through Washington.

Compared with 1980, when Reagan was elected President, or with 1994, when the GOP seized control of Congress, the course of the 2000 presidential campaign shows a clear moderation in the Republican Party, says James P. Pinkerton, who was a domestic policy adviser to Reagan and then to President Bush. On an ideological spectrum, 'where Ed Crane is a 1 and Pol Pot is a 10,' Pinkerton puts Reagan and the House's Class of '94 at three or three and one-half, and the current crop of Republican candidates at four and one-half.

This is no small shift, given that the Democrats start at about five and one-half.  
The Conservatism of Yore

He was rarely subtle, and he didn't intend to be. When he spoke on nationwide television in 1964 on behalf of doomed Republican presidential candidate Barry Goldwater, actor Ronald Reagan declared that 'a government can't control the economy without controlling people.' In accepting the GOP presidential nomination in 1980, he warned that 'government is never more dangerous than when our desire to have it help us blinds us to its great power to harm us.' In his first inaugural address, he was blunt: 'Government is not the solution to our problem; government is the problem.'

In the White House, Reagan was probably as willing to compromise as most Presidents are. But other than his flamboyant

act of firing the nation's air traffic controllers rather than letting them go out on strike, it is hard to think of occasions when Reagan exploited the domestic powers of the federal government in a heavy-handed way. To the contrary, he tried to scale back. First, he persuaded Congress to cut and flatten federal income taxes; later he championed a tax reform plan (partly inspired, ironically, by Bradley) that stripped away most of the preferences for one thing or another that Washington (and its lobbyists) had engraved in the nation's tax code over the decades. Quite consistently, though with varying degrees of success, Reagan tried to end programs, cut budgets, deregulate commerce, abolish Cabinet departments, and bequeath federal functions to the states.

Reagan saw the federal government as "a great blundering dinosaur, which got in the way of people," recounts Stuart Butler, the vice president for domestic policy at the Heritage Foundation, which was influential in helping chart the Reagan Administration's course. Shrinking the government was a good thing on its own, in Reagan's view, for it would unleash the nation's entrepreneurial spirit.

This anti-government zeitgeist survived President Bush's kinder, gentler tenure--which included enactment (and his signing) of the Americans with Disabilities Act and a strengthened Clean Air Act. It resurfaced in 1994, with the election of ardent Republican conservatives of a traditional bent, who were devoted to chopping federal spending, eliminating agencies, and balancing the budget.

Unfortunately for these cocky Republicans, they overreached. They tried to curb federal subsidies for school lunches and, in the course of a budget dispute with Clinton, succeeded in shutting down the government--actions the public disliked.

The Republicans misinterpreted the 1994 election as a victory for conservative ideology, contends David Winston, senior vice president at Fabrizio, McLaughlin and Associates, a Republican polling firm in Alexandria, Va., whereas it was really a protest by the voters against ideology--specifically, against the liberalism embodied in Clinton's failed, labyrinthine proposal to overhaul the nation's health care system. "They didn't elect those folks to be ideological," Winston says. "They elected them to get things done. . . . People want to see results."

In another way as well, the GOP's smashing successes may have served only to assure a turnaround, or least a lull, in the party's historic hostility to government. For the jolt prompted Clinton, a political chameleon, whose secret of political survival has been his belief in almost everything, to bid an artful surrender. Adopting the political balancing act that became known as triangulation, Clinton threw in with congressional Republicans to balance the budget, revamp the nation's reviled welfare system, and in other ways narrow the distinctions between the competing parties.

The result is that Clinton has done for Reagan what President Dwight D. Eisenhower did for Franklin D. Roosevelt. As the first Republican in the White House since Herbert Hoover, Eisenhower effectively ratified the New Deal, with its momentous expansion in federal authority, by not trying to reverse it. Likewise, Clinton has pretty much accepted--on the Democratic Party's behalf--Reagan's vision of a smaller government by merely tinkering with it instead of trying to undo it.

In other words, the era of big--or, at least, bigger--government is over, as Clinton has said. That debate's over, and Reagan won. "The notion of a grandiloquent government has been pretty much eliminated," Pinkerton notes.

This leaves a vastly different issue on the table: now what? That's a question that sets off backs and forths about the sorts of things that government should do. On nearly every political stump, there has been a lot of talk about redefining a role for government--one that's restrained but unashamed--that is capable of accomplishing what the public wants.

A Generosity Toward Government  
What the public wants, and how it wants to get it, are often closely related questions, with answers that won't stand still. "People inherently don't trust the government," nor are they inclined to see it grow, Edward T. Schafer of North Dakota, the incoming chairman of the Republican Governors Association, said in an interview. But at the same time, he noted, "people are compassionate," and they'll support the government if they think their money is well-spent. And possibly never more so than now. With the budget now balanced, the government more efficient, and the economy still going strong, Schafer surmised, "they're not looking for a bogeyman or evil out there."

In this age of poll-driven politics, it is no surprise that politicians' embrace of an activist role for government has seemed to sit well, by and large, with the electorate. Some dramatic evidence arrived last month in a CBS News poll, which found that Americans only narrowly prefer a smaller government that offers fewer services to a bigger government that does more (by 46 percent to 43 percent, which is within the survey's margin of error). Just three years ago, respondents were decisive (61 percent to 30 percent) in declaring that smaller was better.

Other polls have found comparable, if less stunning, shifts in public sentiment. For instance, surveys conducted by Penn Schoen & Berland Associates for the centrist Democratic Leadership Council found that the proportion of people who agreed that the best government is one that governs least dropped by five percentage points, to 56 percent, from 1996-98. The public has little affection for government in the abstract, though it likes the individual programs that Big Brother provides, and voters seem to be offering less resistance than before to having Washington lend a hand.

Why the shift in public mood? In a word: prosperity. It was hard times, after all, that provoked the widespread tax revolts of the 1970s and 1980s among citizens who resented paying for the government benefits they saw others receiving. Now that incomes are rising, inflation is low, and the economy shows no signs of slowing down, people who are faring well "can be more generous," says Karlyn Keene Bowman, an expert on public opinion at the American Enterprise Institute for Public Policy Research. Which suggests that if and when the economy sours, so will the political magnanimity.

Robert M. Teeter, however, isn't so sure. "These things don't change every two years or four years," the Republican pollster says, but in grander historical cycles of 10 or 20 years. The failure of President Lyndon Johnson's Great Society to cure poverty in the 1960s helped lead to the demise of a faith in big government to solve all problems that the New Deal had inspired three decades before. But minimalism didn't work, either. Now, Teeter says, the public wants to see the government start working more effectively and less bureaucratically, as businesses and most other institutions have done in recent years.

"What is the proper role of the national government is a 200-year-old debate," Teeter says--and it's taking yet another turn.

Even conservatives who are aghast at any additional comfort with government acknowledge a change in the public mood. "People want government to be active but also to be smart," says Heritage's Butler, "as opposed to the small-government approach" of Reagan's time. The consequence, he adds, is an approach to governing that envisions federal intervention to "help particular people in particular circumstances"--to pay for college, say, or afford health insurance. In Republican circles, he adds, this has caused "a pretty major shift, at least in the way the (policy) discussion takes place." Almost Like Democrats

In the huge ballroom of the Washington Hilton, the hotel where Reagan was shot, Gov. George W. Bush of Texas was doing his damndest the other day to be all things to all Republicans. The GOP's presidential front-runner sketched his views on the proper role of government for members of the Christian Coalition, including the ones clad in Bauer T-shirts. He boasted of the bill he had signed in Texas requiring parents to be told before their teen-age daughters undergo abortions, and he described his vaguely ambitious plans to achieve "prosperity with a purpose."

"Government should do a few things," Bush declared, "and do them well."

Well, let us count those items of activism, as per his suggestions. Before the throng of religious conservatives, Bush lauded "some of the highest and compassionate goals of government," such as helping the poor, the disabled, the elderly, and the dying. In his State of the State address to Texas legislators last January, he asked them to cut the sales tax on diapers, over-the-counter medicines, and Internet connections; to institute a tax credit for research and development; to reduce emissions from old factories; to restore worn courthouses; and to come up with additional dollars to help schoolchildren to read, employ more teachers, build new schools, hire 380 new caseworkers for the state's child protection agency, provide "transition benefits" for people moving from welfare to work, augment child care subsidies for the poor, and open "second chance" homes for unwed teen-age mothers.

"A rising tide lifts many boats--but not all," Bush asserted in an Indianapolis speech in July, as he proposed "a different role for government . . . a responsibility to help people," and denounced a "destructive mind-set: the idea that if government would only get out of our way, all our problems would be solved. . . . The American government is not the enemy of the American people."

Last week, he took to blasting the Republicans in Congress for an insufficient enthusiasm for addressing social problems. What Bush has proposed on education, for instance, "sounds a lot like (the) DLC," former Labor Secretary Robert B. Reich observed recently on CNBC. Reich, a liberal, isn't alone in harboring such thoughts. His political opposite, Cato's Crane, described Bush as "the original social engineer. . . . I've never heard 'W' say, 'Eliminate a program, or cut one.'" In an op-ed piece, Crane portrayed Bush as downright "Clintonesque," in that the two middle-of-the-roadsers share a "casual . . . assumption that virtually any problem confronting the American people is an excuse for action by the federal government."

Indeed, in Crane's view, just about all of the Republican presidential candidates ought to be classified as New Democrats.

Consider, for example, Sen. John McCain of Arizona, a man obsessed with government. The health of the federal government is at the core of his political concerns--how to fix it, restore its dignity, free it from money's grasp, so that once again it can work as it should. "On my honor, I swear to you that from my first day in office to the last breath I draw, I will do everything in my power to make you proud of your government," he proclaimed in formally announcing his candidacy last month. "Once we win our government back, there is no limit to what we can accomplish."

McCain went so far last spring as to urge graduates of Johns Hopkins University to "consider very seriously entering government." How un-Reaganlike: "We Republicans have to acknowledge that there is a role for the federal government." McCain told the commencement crowd.

Two others running for the presidency, Elizabeth H. Dole and Pat Buchanan, are prone to calling for smaller government, but they happened to have spent many years at the federal trough. Dole served two stints in the Cabinet and two in the White House, not to mention her 24-year marriage to a Senator's Senator. Buchanan, a native of Washington, D.C., who worked for three Presidents, offers a political agenda that centers on having the federal government keep imports and immigrants out. Similarly, fourth-term Sen. Orrin G. Hatch of Utah has become known less for his native conservatism than for his disconcertingly pragmatic alliances with Sen. Edward Kennedy, D-Mass. "In general, Sen. Hatch is not opposed to using government to do good things for people," a campaign spokesman said.

And then there's Bauer. He would brandish the power of government to make the citizenry morally straighter, by outlawing abortion, prosecuting pornographers, and opposing "special rights on the basis of sexual preference." That's besides fiddling with the tax code for social ends. "It is quite possible to use tax policy in ways not terribly easy to distinguish from spending," says Bruce Bartlett, who worked for Bauer in Reagan's White House and is now a senior fellow at the National Center for Policy Analysis, a libertarian think tank. He finds Bauer's tax plan "ludicrous," because it sticks it to employers while supposedly putting "families first, last, and everything."

Bauer comes by his activism honestly. As a boy, he had a confrontation with his often-drunken father (much like Clinton had with his stepfather), and he joined in a campaign by ministers and owners of businesses to clean up his gambling-ridden, mob-controlled hometown of Newport, Ky. "In this country, you can do a whole lot of things, but where I grew up, the things people were being allowed to do resulted in their own personal lives being a mess," Bauer said in a profile in The Des Moines (Iowa) Register last month. The newspaper reported that "it was Newport where Bauer discovered that government mattered."

"He's a religious populist," says Kellyanne Fitzpatrick, a Republican pollster who had Bauer as a client last year. "The size of government is not an issue to populists."

Just one of the surviving Republican candidates can make a straight-faced claim of being hostile--or indifferent--to the federal government: Forbes. The magazine-publisher-turned-awkward-politician is the only one who has never spent any appreciable time in Washington and who, to Bartlett and others, comes the closest to Reagan in disdaining government as an instrument of good. Even so, Bartlett adds, "I'm not sure how minimalist even Forbes is. . . . Chart his position on abortion." After losing as a purist economic conservative in 1996, Forbes has curried favor from religious conservatives by bringing social issues--notably, opposition to abortion--to the forefront.

In this regard, of course, Forbes might be counted as nothing more than the most familiar of American archetypes: a pragmatist. Since the earliest days of the frontier, Americans have believed in being practical most of all. Pragmatism is considered the only native political philosophy, and it has captured not only Forbes, but also his rivals and the voters as well. Americans, after all, tend to want what they want, and they don't care all that much about how they get it.

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SUSAN RICE

ASSISTANT SECRETARY FOR AFRICAN AFFAIRS  
BEFORE THE HOUSE INTERNATIONAL RELATIONS COMMITTEE  
SUBCOMMITTEE ON AFRICA  
SUBJECT - SOUTH AFRICA: U.S. POLICY AND BILATERAL RELATIONS

BODY:

Introduction

Mr. Chairman, Committee Members, thank you for the opportunity to testify on South Africa, a nation whose remarkable transformation continues to command the world's attention and admiration. Five years ago, South Africa stood at the threshold of a new era when its people went to the polls to elect their first democratic parliament. It, in turn, chose Nelson Mandela to lead a government of national unity. The 1994 elections were a watershed in the 20th century, bringing an end to the vicious apartheid regime and South Africa's international isolation. It also opened the promise of new hope for the southern African region. Now, South Africa has entered a new and equally critical phase, and its resilient people again have put their best foot forward. The country's second democratic election on June 2 marked a smooth and routine transfer of power - a critical indication of sustained progress in South Africa. Concerns about violence, apathy, disorganization, and fraud proved unfounded as 86 percent of registered voters peacefully and efficiently cast their ballots. In returning the African National Congress (ANC) to power, voters underscored their desire that the ANC continue to deliver genuine change. More fundamentally, the elections also demonstrated that South Africa's people, many of whom are still divided and uncertain about the future, are committed to the country's peaceful evolution under a democratic system of government. Our stake in South Africa's success is significant. For the United States, South Africa's leadership as a pluralistic, market-oriented democracy is critical to the achievement of our goals in Africa, especially integrating Africa into the global economy and combating transnational threats to our mutual security. The country is the destination of fifty-four percent of U.S. exports to Africa and our largest trading partner on the continent. It is an anchor in the Southern African Development Community (SADC - one of Africa's most important sub-regional economic and security organizations. South Africa's leaders have played a key role in foreign affairs - helping broker peace in the Congo and bring calm to Lesotho and serving as Chair of the Non-Aligned Movement. South Africa works in tandem with us to prevent global proliferation of weapons of mass destruction, and to counter corruption, environmental degradation and international terrorism. In this regard, Mr. Chairman, let me take the opportunity to thank the government today for its extraordinary cooperation with U.S. law enforcement that led to the capture last week of a suspect involved in the Dar Es Salaam terrorist embassy bombing. In the context of this evolving U.S.-South Africa partnership, we are working to solidify out' already excellent relations with the "new" South Africa and to strengthen long-term cooperation on bilateral and multilateral issues of mutual importance. Underlining all our objectives is the desire to help South Africa consolidate its already remarkable progress in achieving a political transformation and bringing opportunity and well-being to all its people. The New South Africa Yet, South Africa's future depends on the continued strong commitment of its government and its people in fostering lasting democracy and economic growth. The continued assistance of the United States and South Africa's many friends around the world through development cooperation, trade and investment will also be crucial. A half-decade after the end of apartheid, there is a general recognition, both inside and outside of South Africa, that the government of President Nelson Mandela and Deputy President Thabo Mbeki performed extremely well. The ANC-led government has fostered the difficult and lengthy process of national reconciliation, laid the groundwork for long-term democratic tradition, established a sound economic policy framework, and begun to deliver essential social services to the previously disadvantaged majority.

President Thabo Mbeki's government now faces the difficult task of fulfilling his promise to accelerate the pace of the transition. Since taking office on June 16, President Mbeki has taken decisive steps to address the pressing issues of crime, economic growth and job creation, as well as improved delivery of social services and programs. In public forums, he has taken a tough line against military governments, corruption and misrule statements we applaud. At the same time, he has stood by the government's macroeconomic policies - embodied in the Growth, Employment, and Redistribution (GEAR) program -- that emphasize fiscal discipline, removal of capital controls, lower tariffs, and privatization of the parastatal sector. The faithful implementation of the GEAR program, even in the face of some domestic opposition, shows signs of paying off. South Africa weathered last year's Asian financial crisis better than most other emerging markets, in large part due to the government's prudent fiscal management and the soundness of its banking system. The budget deficit as a percentage of GDP has been cut nearly in half since 1994, consistent with GEAR's targets. Inflation, which had run into double-digits for more than 20 years, fell below 3.5 percent annually last month. Interest rates are declining and investor confidence is increasing. The Johannesburg Stock Exchange has gained 25 percent so far in 1999, and the South African rand has regained strength against the dollar. Economists are forecasting that GDP growth, stagnant last year, will again turn positive in 1999/2000. Finally, progress also has been made in the government's efforts to empower the majority. On the Johannesburg Stock Exchange, the value of business transactions conducted by majority firms has grown tenfold since 1995, from 2 to 20 billion rand. Looking ahead, South Africa's progress will rest in large measure on the government's ability to continue implementing its economic and social programs fairly, openly, and effectively. It also will depend on a commitment to continue promoting racial and social reconciliation -- convincing all South Africans that their future lies in one peaceful nation. And it will depend on the commitment of the government, all political parties, interest groups, and individual citizens to continue strengthening the beliefs, practices, and institutions essential to democracy.

U.S. Policy

Our policy seeks both to help South Africa meet these challenges and to strengthen our partnership and cooperation in key areas of mutual interest.

The most important of these areas include:

- Democracy: Bolstering democratic institutions and processes;
- Broad-based Growth: Strengthening the institutional capacity of the South African government to develop socioeconomic policies, create jobs and provide improved social services for the majority;
- Regional Stability: Working together diplomatically to prevent and resolve conflict and constructing a robust defense relationship to serve as a foundation for future stability in the region;
- Weapons of Mass Destruction: Cooperating with South Africa bilaterally and multilaterally to prevent proliferation of weapons of mass destruction;
- Mutual Growth Through Open Market: Obtaining South Africa's continuing support for global trade liberalization in the World Trade Organization, a mechanism for opening markets worldwide, and other multilateral trade regimes.

Working to open the South African and SADC markets to U.S. products and services, to increase bilateral trade and to improve the climate for U.S. investment;

- International Crime, Illegal Drugs and Terrorism: Helping South Africa develop an effective criminal justice system respectful of human and civil rights.

Improving U.S.-South African cooperation to combat terrorism, international crime (including money laundering), and drug trafficking;

- Environment: Supporting South Africa's pursuit of environmentally sustainable, market-based development and its ongoing participation in international environmental policy forums;- And finally, Health: Supporting improvements to South Africa's health care system to ensure core needs of the majority are met and to combat the spread of infectious diseases - especially HIV/AIDS.

To help us achieve these goals, USAID, the Defense Department, Peace Corps, the

State Department, law enforcement agencies, and many other USC departments and agencies provide support or training. A variety of law enforcement and international Narcotics and Law Enforcement Affairs bureau programs bolster the country's judicial system and police force. In South Africa, we have worked together to build housing, to bring electricity and potable water to remote rural areas, to promote joint research on disease, and to expand public awareness of the HIV/AIDS crisis. The largest component of U.S. assistance to South Africa is USAID's effort to promote economic, social, and political development. Our current strategy, being implemented under a ten-year \$435 million program, was developed in close cooperation with the South African government, civil society, universities, and the private sector. Our aim is to ensure a sustainable transition-helping South Africa institutionalize democracy and put in place policies and systems for social service delivery. Emphasis is on empowerment and increasing the participation of the majority population in six areas: democracy and governance; education; health; economic policymaking; private sector development; and housing and urban services. In addition, South Africa has been designated a key country for USAID's Global Climate Change Program (GCC). In close consultation with the South African government, we have concluded that significant U.S. assistance will be required well into the new century to meet our mutual economic and political objectives in the country. Accordingly, after consultations with the Congress and strong support from the State Department, USAID has formally approved a five-year extension of its program, through 2010. This decision will enable us to continue working closely with South Africa on its development priorities.

#### Bilateral Relations

The United States and South Africa have much in common: diverse and open societies, deep respect for democratic ideals and human rights, and a shared vision of a peaceful and prospering international community. When apartheid ended, our relations were essentially moribund in a wide range of important areas. Yet in a little over five years, business and personal links between the two countries are burgeoning and we have made great progress in establishing a strong, mature and long-lasting U.S.-South Africa partnership. Regular, high-level contacts have been critical to this process. President Mandela's State visit to Washington in October 1994 produced agreement to establish the U.S.-South Africa Binational Commission (BNC). This, in turn, resulted in the development of highly productive working relations between Vice President Gore and then-Deputy President Mbeki, as well as between many U.S. cabinet officials and their counterparts. President Clinton's March 1998 visit lent additional momentum. The U.S.-SADC forum in April in Botswana, helped move forward a range of important issues with this critical regional organization as well. Most recently, last month in New York, the President, Vice President, and Secretary of State met with President Mbeki and his key advisers for highly constructive talks. There is every indication that the new Mbeki government intends to pursue closer ties with the U.S. in the coming years. The high degree of continuity in the new government - both in personnel and policies - buttresses this view. The U.S.-South Africa Binational Commission The Binational Commission, meeting six times since 1994 and now comprising nine committees, has been central to the process of renewing and strengthening our cooperation in many areas. Under its auspices, we have worked to open our markets, and signed a Trade and Investment Framework Agreement that established a Trade and Investment Council chaired by Ambassador Barshefsky and Minister Alec Erwin. We have negotiated a bilateral tax treaty and new pacts on taxation, civil aviation, extradition, and mutual legal assistance. The BNC, through the U.S.-South Africa Business Development Committee, has been particularly effective in strengthening our bilateral economic ties. I cannot overestimate the importance of this aspect of our relationship, for either the United States or for South Africa's long-term prosperity. Since sanctions on South Africa were lifted, U.S. corporate presence in South Africa has

expanded from about 150 companies to nearly 400 - which is the equivalent to the U.S. corporate presence in Russia, Turkey, or Israel. The United States is the largest source of new foreign direct investment in South Africa since the end of apartheid in 1994. U.S. FDI stock was \$2.7 billion at the end of 1997, 15% of South Africa's total. Through the Trade and Investment Council, we are developing mechanisms and channels for resolving the disputes that inevitably arise between close trading partners.

Two recently established BNC committees - one on Defense and another on Justice and Anti-Crime Cooperation - have led in short order to rapidly expanding collaboration in these critical areas. Our relations in the sensitive area of security and defense were virtually non-existent before 1994. But now, Defense Secretary Cohen and his counterpart have exchanged visits and the International Military Education and Training (IMET) program is the largest in sub-Saharan Africa. The U.S. provided assistance to the South African-hosted regional peacekeeping exercise ("Blue Crane") in April 1999. Through the Defense Committee, we are working with South Africa in such key areas as force rationalization and the environment. Finally, the settlement of the "Armscor" case in February 1998 has resulted in the normalization of defense trade between the two countries.

The new Justice and Anti-Crime Cooperation Committee (JACC), formally established under the BNC in February 1999 and chaired on the U.S. side by Attorney General Janet Reno, seeks to augment our cooperation on anti-crime strategies. South Africa's rate of violent crime remains among the highest in the world. Illegal immigration, money laundering, drug trafficking, financial crimes, and illegal arms trafficking are most prevalent. Transnational drug traffickers and criminal organizations take advantage of South Africa's porous borders, developed infrastructure and convenient location between Asia and South America. At the February BNC, the JACC agreed on a package of training proposals (financed by the State Department's Bureau of International Narcotics and Law Enforcement and run by U.S. law enforcement agencies) and is beginning to implement some of these programs.

**Foreign Policy**

In the area of foreign policy, South Africa has quickly merged as one of Africa's leading political and diplomatic actors. Its global objectives - preventing conflicts and promoting peaceful resolution of disputes; promoting democratization, disarmament and respect for human rights; and advancing environmentally sound, sustainable development and poverty alleviation -- are consistent with broad U.S. policies and ideals.

President Mandela began South Africa's increasingly active role in the international arena with his many visits abroad. President Mbeki has followed suit with an impressive agenda in the region and elsewhere. The South African government assumed the chairmanship of the Non-Aligned Movement (NAM) in 1998, conducted a high-profile campaign to ban landmines, and played a dynamic role to promote a cease-fire agreement between combatants in the Democratic Republic of the Congo (DROC).

Indeed, President Mbeki, days into his administration, confirmed his personal commitment to help secure a resolution of the war in the Congo. He dispatched his Foreign Minister on an exhaustive shuttle-diplomacy mission to convince the Rally for Congolese Democracy (RCD) rebel factions to sign the Lusaka ceasefire accord, which they did on August 31. Both Foreign Minister Zuma and President Mbeki played key roles in moving forward the Lusaka accord's implementation, including their recent efforts to persuade the RCD to come to an agreement regarding its representation on the Joint Military Commission (JMC), the body responsible for monitoring the peace.

Still, we anticipate continued occasional differences with South Africa on some foreign policy issues. Its friendships with Libya and Cuba, for example, have been of intermittent concern in our relationship. With the suspension of UN sanctions, South Africa is one of a number of countries moving to strengthen diplomatic and trade ties with the Qadhafi regime. In May, Trade and Industry

Minister Erwin signed a bilateral trade agreement during a visit to Libya. The global scope of South African foreign policy notwithstanding, much of the government's focus is closer to home with the Southern African Development Community (SADC) and the Organization of African Unity (OAU). South Africa appears determined to make both SADC and the OAU more relevant and effective. We

strongly support its efforts in this regard.

Conclusion

Mr, Chairman, we consider our relationship with South Africa to be one of our

highest priorities. A reconciled, dynamic South Africa is key to peace, prosperity and security throughout Africa. But we must all be cognizant of the

tremendous challenges still facing the country and its people. As President

Mbeki said at his inauguration, South Africa is "at the dawning of the dawn, when only the tips of the horns of cattle can be seen etched against the morning

sky." In many ways the task of democratic institution-building in this country

is only just beginning. As well, crime, HIV/AIDS and economic disparity all

threaten South Africa -- just as our social problems and violence threaten U.S.

progress - in the next century.

We are committed to supporting not only South Africa's domestic strides, but its

strong role in the region, and its positive contribution worldwide. We look

forward to strengthening and deepening our engagement with the new South Africa

and its people. The South African people have set a tremendous example for all

throughout the world who yearn for democracy and the right to determine their

own destiny. We believe their strength will ensure the success of their transition and the emergence of South Africa as one of the world's

greatest

powers and most respected leaders. Thank you.

END

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92 of 142 DOCUMENTS

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The Bulletin's Frontrunner

October 13, 1999

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HEADLINE: Today's Events In Washington.

BODY:

White House: PRESIDENT CLINTON - Travels to Reddish Knob Overlook, VA for environmental announcement at George Washington and Jefferson National Forest;

returns to Washington to address Democratic Leadership Council dinner.

VICE

PRESIDENT GORE - Meets with labor leaders in Los Angeles; travels to Seattle to

address International Association of Machinists and Aerospace Workers; addresses

Gore 2000 fundraiser; attends GoreNet event. US Senate: Floor Schedule: Conference reports on Defense appropriations bill, campaign finance

reform and

VA and HUD appropriations bill. CONFEREES \_ 10 a.m. Meeting on Interior Department appropriations. HC-5, Capitol. ARMED SERVICES \_ 9:30 a.m.

Subcommittee on Seapower. Hearing on the Force Structure Impacts on Fleet and

Strategic Lift Operations. Vice Admiral William Fallon, USN, Commander, U.S.

Second Fleet; Vice Admiral Daniel Murphy, Jr., USN, Commander, U.S. Sixth Fleet;

others. 222, Russell. ENERGY AND NATURAL RESOURCES \_ 2:30 p.m. Subcommittee on

National Parks, Historic Preservation and Recreation. Hearing on pending legislation. Denis Galvin, Deputy Director, National Park Service, U.S.

Department of Interior; Arthur Wilson, National Adjutant, Disabled American

Veterans; others. 366, Dirksen. ENVIRONMENT AND PUBLIC WORKS \_ 10 a.m. Hearing

on several bills relating to the Federal Clean Water Act. Senator Kay Bailey

Hutchison will introduce a bill relating to storm water. 406, Dirksen. FINANCE \_

2:30 p.m. Subcommittee on Health Care. Hearing on the health needs of children

in the foster care system. Sen. Christopher Bond, R-Mo.; Rep. Tom Delay, R-Texas; Sister Mary Rose McGready, president, Covenant House; others.

215,

Dirksen. FOREIGN RELATIONS \_ 10:15 a.m. Subcommittee on European Affairs. Hearing on expanding electronic commerce between Europe and the United States. Susan Esserman, Deputy United States Trade Representative; James Whittaker, Director, International Government Affairs, Hewlett-Packard Co.; Arthur Sackler, Vice President, Law and Public Policy, Time Warner Inc.; others. 419, Dirksen.

HEALTH, EDUCATION, LABOR, AND PENSIONS \_ 9:30 a.m. Hearing on pain management and improving end of life care. Senator Don Nickles, R-Okla.; Ron Wyden, D-Ore.; Sen. Connie Mack, R- Fla.; Sen. Joseph Lieberman, D-Conn.; and Yank Coble, M.D., American Medical Association, Secretary Treasurer, Boards of Trustees. Miami, Florida; others. 430, Dirksen. INDIAN AFFAIRS \_ 9:30 a.m. Hearing on S. 1507, the Drug and Alcohol Consolidation Act. 485, Russell. SPECIAL YEAR 2000 TECHNOLOGY PROBLEM \_ 9:30 a.m. Hearing on international readiness for Y2K. Marshall Smith, Deputy Secretary, U.S. Department of Education; Admiral Robert Willard, Joint Staff, Department of Defense; others. 192, Dirksen. US House:

Meets at 10 a.m. Floor Schedule: H.R. \_\_\_ - Labor, HHS appropriations bill. H.R. 1993 - Export Enhancement Act of 1999. H.R. 2679 - Motor Carrier Safety Act of 1999. ARMED SERVICES \_ 10 a.m. Full Committee. Hearing on national missile defense and its implications for the Anti-Ballistic Missile Treaty. Walter Slocombe, Under Secretary of Defense for Policy. 2118, Rayburn. COMMERCE \_ 10 a.m. Full Committee. Markup H.R. 2580 - Land Recycling Act; H.R. 2634 - Drug Addiction Treatment Act, and other pending legislation. 2123, Rayburn.

EDUCATION AND THE WORKFORCE \_ 10 a.m. Full Committee. Markup H.R. 2 - Students Results Act; H.R. 2300 - Academic Achievement for All Act; H.Res. 303 - Dollars to the Classroom. 2175, Rayburn. GOVERNMENT REFORM \_ 10 a.m. Government Management, Information and Technology Subcommittee. Hearing on amending the Presidential Transaction Act to allow transition funds to be used for orientations of new cabinet-level officers. 2154, Rayburn. GOVERNMENT REFORM \_ 10 a.m. National Secretary, Internatioanl Affairs and Veterans Affairs Subcommittee. Hearing on the necessity of the Inter-American Foundation. Maria Otero, Chair, Inter-American Foundation. 2247, Rayburn. INTERNATIONAL RELATIONS \_ 10 a.m. Full Committee. Hearing on U.S. policy toward North Korea. William Perry, North Korea Policy Advisor, State Department 2172, Rayburn. INTERNATIONAL RELATIONS \_ 1:30 p.m. International Economic Policy and Trade Subcommittee. Hearing on protecting U.S. intellectual property rights. Raymond Kelly, Commissioner, U. S. Customs Service. 2172, Rayburn. JUDICIARY \_ 10 a.m. Full Committee. Markup H.R. 1801 - Antitrust Technical Corrections Act; H.R. 3028 - Trademark Cyberpiracy Prevention Act; H.R. 1714 - Electronic Signatures in Global and National Commerce Act; H.R. 1887 - to punish the depiction of animal cruelty; H.R. 1869 - Stalking Prevention and Victim Protection Act. 2141, Rayburn. RESOURCES \_ 11 a.m. Full Committee. Hearing on H.R. 2804 - to expand Alaska Native contracting of Federal land management functions and activities and promote hiring of Alaska Natives by the Federal Government within the State of Alaska; H.R. 3013 - to amend the Alaska Native Claims Settlement Act to allow shareholder common stock to be transferred to adopted Alaska native children and their descendants. 1324, Longworth. RULES \_ 3 p.m. Full Committee. Hearing on H.R. 2679 - Motor Carrier Safety Act. H-313, Capitol. SCIENCE \_ 2 p.m. Space and Aeronautics Subcommittee. Hearing to look at companies that are developing commercial spaceplanes, also known as reusable launch vehicles. Public witnesses. 2318, Rayburn. SELECT INTELLIGENCE \_ 2 p.m. Full Committee. Briefing on FBI reexaminations of matters pertaining to the likely Chinese theft of American nuclear secrets. H-405, Capitol. WAYS AND MEANS \_ 10 a.m. Human Resources Subcommittee. Markup a bill to promote marriage among parents and help poor and low-income fathers establish positive relationships with their children and the children's mothers. B-318, Rayburn. Other: HEALTH INSURANCE \_ All Day. The National Chamber Foundation holds a forum on the rising number of Americans without health insurance. Highlights: 8:30 a.m. Keynote address - Rep. William Thomas, R-Calif. 12:15 p.m. Luncheon address - HHS Secretary Shalala. Location: U.S. Chamber of

Commerce.

1615 H St. NW. KYOTO ACCORDS \_ 7:30 a.m.-2:45 p.m. The American Council for

Capital Formation holds a forum on the Kyoto commitments. Highlights: 8 a.m.

Address by Rep. John Dingell, D-Mich.; Noon. Luncheon speaker - Rep. John Sununu, R-N.H. Location: Holiday Inn on Capitol Hill, 415 New Jersey Ave. NW.

CAMPAIGN FINANCE \_ 8:30 a.m. The National Association of Manufacturers holds a briefing with Sen. Mitch McConnell, R-Ky., chairman of the Senate Rules and

Administration Committee, discussing his objections to a soft-money ban and attempts to regulate constitutionally protected speech. Location: Grand Hyatt

Hotel, Wilson Room, 1000 H St. NW. HOUSE REPUBLICANS \_ 9 a.m. Meeting of the

House Republican Conference. CLOSED. Location: room HC- 5, Capitol. HOUSE DEMOCRATS \_ 9 a.m. Meeting of the House Democratic Caucus. CLOSED.

Location:

Room 345, Cannon House Office Building. BANKING \_ 10:30 a.m. Senators Shelby and

Bryan join Congressman Moakley to discuss banking issues. Location: Senate

swamp site. SOCIAL SECURITY \_ 11 a.m. Rep. John Kasich, R- Ohio, joins Congressmen Joe Barton, and David McIntosh to announce the introduction of H.R.

3012. The Social Security Guarantee Act of 1999. Location: House triangle.

CENSUS \_ 12:30 p.m. Reps. Dan Miller and Carolyn Maloney and Census Bureau Director Kenneth Prewitt hold a news conference to announce a partnership program between Congress and the Census Bureau to promote the 2000 Census. Location: House triangle.

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93 of 142 DOCUMENTS

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October 13, 1999, Wednesday

TYPE: COMMITTEE HEARING

LENGTH: 17139 words

HEADLINE: U.S. REPRESENTATIVE ILEANA ROX-LEHTINEN (R-FL) HOLDS HEARING ON INTELLECTUAL PROPERTY RIGHTS; WASHINGTON, D.C.

COMMITTEE: INTERNATIONAL TRADE SUBCOMMITTEE OF THE HOUSE INTERNATIONAL

BODY:

HOUSE INTERNATIONAL RELATIONS COMMITTEE: SUBCOMMITTEE ON INTERNATIONAL ECONOMIC POLICY AND TRADE HOLDS HEARING ON

VIOLATIONS OF INTELLECTUAL PROPERTY RIGHTS

OCTOBER 13, 1999

SPEAKERS: U.S. REPRESENTATIVE ILEANA ROS-LEHTINEN (R-FL), CHAIRMAN

U.S. REPRESENTATIVE DONALD A. MANZULLO (R-IL)

U.S. REPRESENTATIVE STEVE CHABOT (R-OH)

U.S. REPRESENTATIVE KEVIN BRADY (R-TX)

U.S. REPRESENTATIVE GEORGE P. RADANOVICH (R-CA)

U.S. REPRESENTATIVE JOHN C. COOKSEY (R-LA)

U.S. REPRESENTATIVE DOUG BEREUTER (R-NE)

U.S. REPRESENTATIVE DANA ROHRBACHER (R-CA)

U.S. REPRESENTATIVE TOM CAMPBELL (R-CA)

U.S. REPRESENTATIVE RICHARD M. BURR (R-NC)

U.S. REPRESENTATIVE ROBERT MENENDEZ (D-NJ), RANKING MEMBER

U.S. REPRESENTATIVE PAT DANNER (D-MO)

U.S. REPRESENTATIVE EARL F. HILLIARD (D-AL)

U.S. REPRESENTATIVE BRAD SHERMAN (D-CA)

U.S. REPRESENTATIVE STEVEN R. ROTHMAN (D-NJ)

U.S. REPRESENTATIVE WILLIAM DELAHUNT (D-MA)

U.S. REPRESENTATIVE JOSEPH CROWLEY (D-NY)

U.S. REPRESENTATIVE JOSEPH M. HOEFFEL III (D-PA)

RAYMOND KELLY, COMMISSIONER, U.S. CUSTOMS

SERVICE, DEPARTMENT OF THE TREASURY

RICHARD FISHER, DEPUTY U.S. TRADE REPRESENTATIVE

Q. TODD DICKINSON, ACTING ASSISTANT SECRETARY OF

COMMERCE, ACTING COMMISSIONER OF PATENTS

AND TRADE MARKS

JEREMY SALESIN, SENIOR VICE PRESIDENT AND GENERAL

COUNSEL, LUCAS ARTS ENTERTAINMENT

CHARLES CARUSO, INTERNATIONAL PATENT COUNSEL

SALVATORE MONTE, PRESIDENT, KENRICH

PETROCHEMICALS, INC.

\*

ROS-LEHTINEN: The committee will come to order.

Thank you so much for your patience, both the witnesses and the visitors today.

In much the same way that Eli Whitney's cotton gin is credited with igniting the industrial revolution, intellectual industries are propelling us into the new age of discovery and growth.

According to the report "Copyright Industries, and the U.S. Economy," the core copyright industry is accounted for \$278 billion in value added to the U.S. economy, or almost 4 percent of the GDP. For all copyright industries, the report cites that the total value added amounted close to \$434 billion or almost 6 percent of GDP.

The core industries grew at nearly twice the annual growth rate of the U.S. economy as a whole between '87 and '96. Employment in these industries grew at close to three times the level in the overall economy. Further, they accounted for an estimated \$60 billion in foreign sales and exports in '96, a 13 percent gain over the previous year.

The American formula for excellence and success in the area of intellectual property is one many would like to emulate. Unfortunately, some across the world are seeking to repeat the U.S. experience through stealing, pirating, counterfeiting and other unauthorized uses of American products.

The impact of piracy on the U.S. economy is widespread. As industry leaders have stated, piracy puts brakes on the development of the development of the national producers. It generates tax evasion and reduces the creation of employment on the part of American companies, and it provokes serious losses for the national economy.

The pervasiveness of this infringement, despite the growth of the copyright industries, is resulting in significant losses worldwide. The International Intellectual Property Alliance estimated that in 1998 losses were about \$5 billion for businesses, for business applications, over \$3 billion for entertainment software, almost \$2 billion for the motion picture industry, and close to \$2 billion for the record and music industries.

Focusing in just two countries, the Pharmaceutical Research and Manufacturers of America report that its members companies lose over \$1 billion each year.

Intellectual property rights issues continue to be at the heart of U.S. relations with industrialized countries such as Japan and the European Union members, allies such as Russia and Israel, as well as developing countries in Latin America, Asia and the Middle East.

Violations of intellectual property rights are a direct infringement on free trade, as it creates distortions in the market and creates parallel black market systems which in the end will hurt, not just the U.S., but the global economy as a whole.

In turn, as a Finnish copyright specialist has argued, the global phenomenon of intellectual property industries can only be dealt with by a global approach, or where necessary, by global rules.

One agreement considered by experts to be a good first step was the Uruguay Round WTO agreements, on trade-related aspects of intellectual property rights, TRIPS, which took effect in January of '96. It established international obligations for the protection and enforcement of intellectual property rights and established enforcement and dispute settlement mechanisms.

However, there were still issues relating to the protection of intellectual content in cyberspace, loopholes regarding duplication of sound recordings and other challenges posed by global networks that needed to be addressed. In December '96 the world intellectual property organization diplomatic conference concluded negotiations on two multi-lateral treaties.

One to protect copyrighted material in the new digital environment, and another to provide stronger international protection to performers, and producers of phonograms (ph). The implementing legislation was passed just last year.

Nevertheless, the differences in deadlines for implementation of international requirements and the failure of our trading partners to effectively address the issue translates into an escalation of violations and the creation of an environment where piracy is becoming rampant.

Our enforcement, our monitoring and our investigative services some of which are represented here today, are doing an outstanding job within the limitations imposed by the pervasiveness and the magnitude of the problem.

The Intellectual Property Law Enforcement Coordinating Council, established by FY 2000 Treasury Postal Appropriations bill, will certainly help as enforcement of intellectual property is coordinated domestically and internationally among the U.S. federal agencies as well as foreign entities.

But more needs to be done on the preventive side of the equation.

I look forward to the recommendations of our witnesses today as we search for a cure to this growing epidemic.

I am very proud to introduce our first witness, Mr. Raymond Kelly who is the Commission of the U.S. Customs Service. I thank him for being here today and for the opportunity to participate earlier in the demolition of counterfeit CDs. As a Custom's commissioner, Mr. Kelly directs over 19,000 employees responsible for enforcing hundreds of laws in international agreements which protect the American public.

Prior to this prestigious appointment, Commissioner Kelly served as the undersecretary for enforcement at the Treasury Department.

Commissioner Kelly brings to the position more than 30 years of

experience  
and commitment to the public service. A former Marine who served in  
combat in  
Vietnam, he was part of the team investigating the World Trade Center  
bombing in  
1993 - the year in which he was recognized as New York State's Official  
of the  
Year.

Because of the delay and the constraints on the commissioner's  
schedule, we  
will be submitting questions in writing, commissioner, to Customs. Upon  
concluding of the testimony, I will excuse you because I know that you  
have  
other commitments.

And we thank you for being here today, commissioner. Thank you. We will  
enter your statement in full in the record.

KELLY: Thank you very much, Madam Chairwoman. Thank you for the  
opportunity  
to testify.

Throughout its long history, the United States Customs Service has  
protected  
the nation from the harmful effects of unfair and predatory trade  
practices. In  
recent years, we have taken on the rising threat against intellectual  
property  
rights.

IPR theft hurts not only our national economy, but the world economy as  
well.  
This crime is already costing industry approximately \$200 billion in lost  
revenue, and nearly 750,000 jobs.

In Fiscal Year 1998, the Customs Service seized almost \$76 million  
worth of  
counterfeit and pirated merchandise and conducted 484 criminal IPR  
investigations. China and Taiwan were the source countries for nearly  
half of  
all the merchandise seized.

In just the first half of Fiscal Year 1999, we seized over \$73 million  
of  
pirated merchandise and conducted 505 criminal IPR investigations.  
Again, China  
and Taiwan accounted for 56 percent of this seized merchandise. Motion  
pictures, computer software and music were the products that were  
illegally  
copied the most.

Our investigations have shown that organized criminal groups are heavily  
involved in trademark counterfeiting and copyright piracy. They often use  
the  
proceeds obtained from these illicit activities to finance other, more  
violent  
crimes.

These groups have operated with relative impunity. They have little  
fear of  
being caught - for good reason. If apprehended, they face minimal  
punishment.  
We must make them pay a heavier price.

Customs continued to raise awareness of the importance of protecting our  
intellectual property rights. This past summer, our fraud investigation  
division sponsored two conferences on methods to recognize and  
investigate IPR  
violations.

Our agency teamed up with private industry and trade associations to  
provide  
advance training for approximately 200 Customs special agents and  
inspectors.  
Twenty special agents from the Federal Bureau of Investigation were also  
included in this training.

Our federal law enforcement agencies are stepping up to the challenge,  
but we  
can't do it alone. We need international cooperation. We need the help  
of our  
foreign partners.

Accordingly, we have conducted training for Customs and federal police  
officers in nine different countries. We also provided training to six  
additional foreign law enforcement agencies under the auspices of the

International Law Enforcement Academy in Bangkok, Thailand.

U.S. Customs has also forged a close working relationship with those industries most affected by IPR violations. We're working with these corporations to train personnel at airports, seaports, mail facilities, land borders and other locations where foreign imports are received on ways to spot counterfeit merchandise.

Our partners in this effort have included the Interactive Digital Software Association, the Motion Picture Association of America, the Recording Industry Association of America, the Software Publishers Association, Lucas Arts, Microsoft, Novell, Nintendo, Sega, and Sony Entertainment.

In recent months, we have contacted major pharmaceutical manufacturers to learn about their IPR concerns. As a result, we've developed training for Customs officers to help them identify shipments of imported pharmaceuticals that violate manufacturers' IPR rights, as well as Food and Drug Administration regulations.

Customs' mandate now extends to the borderless world of cyberspace as well. The Internet has opened up vast new opportunities for legitimate business and criminal smugglers alike. In this new environment, our traditional enforcement remedies simply won't suffice.

U.S. industries -- particularly those involved in computer software, motion pictures and sound recordings -- are at great risk from Internet piracy. Cyber-criminals are difficult to track. With a few simple keystrokes from a computer anywhere in the world, they can ship stolen trademarks, traffic pirated music or download copyrighted software.

U.S. Customs is tackling this new breed of criminal on a variety of fronts. Our main weapon in this fight is the Customs cyber-smuggling center -- or C-3 -- located in Fairfax, Virginia. The center is devoted to combating Internet crime, including IPR violations. Currently the center is conducting about 100 investigations involving the sale of counterfeit goods through the Internet. With the help of Congress, we've expanded the center, and we will continue to devote our resources to its important work.

President Clinton included the protection of intellectual property rights in his 1998 international crime control strategy.

Customs, along with the FBI, co-chair a working group charged with implementing the IPR strategy and strengthening the enforcement of IPR laws. Members of this group include the Departments of Treasury, Justice and State, the Patent and Trade Office, the Copyright Office, the U.S. Trade Representative, the Central Intelligence Agency, and the National Security Council.

I would also like to take this opportunity to announce the opening of the National Intellectual Property Rights Coordination Center. The center, based at Customs headquarters here in Washington, will synchronize the joint efforts of our federal agencies in IPR investigations. Investigative personnel from Customs and the FBI will provide the core staffing for the center. Other interested agencies have been invited to participate.

The main objective of the center will be to eliminate duplication of investigative efforts between agencies and to coordinate multinational investigations. The center will provide one-stop service for industry to raise potential violations of IPR law. It will centralize intelligence gathering, including data and information collected by foreign government agencies, and disseminate intelligence where needed.

We will also utilize the 44 Customs mutual assistance agreements we

signed  
with our international partners to help in our IPR agreements. These  
agreements  
provide for the free exchange of information and assistance in areas of  
mutual  
concern.

The IPR Coordination Center will tap our attache offices worldwide to  
gain  
intelligence under the mutual assistance agreements for IPR  
investigations.

The center will begin limited operation within 30 days. Additional  
funding  
has been requested in our Fiscal Year 2001 budget to provide adequate  
staffing  
and resources.

KELLY: Madam Chairwoman, with the continued support of the Congress,  
U.S.  
Customs will remain a force in the battle against IPR piracy. Every day,  
we  
gain in fighting those who subvert legitimate commerce and destroy  
livelihoods  
by stealing the creative works of others. Every day we build new  
partnerships  
to help us in this battle.

But as much as we've done, we need to do more. IPR crime is an  
increasing  
global threat. We need to educate consumers on the dangers of  
counterfeit and  
pirated goods. U.S. Customs looks forward to working with the Congress  
to raise  
public awareness of the IPR threat and to enhance the defense of our  
cultural  
and commercial interests.

The fact is, IPR crime affects more than those whose copyrighted works  
are  
stolen. In some way, it affects with all.

Now, with your consent, I'd like now to offer a brief demonstration of  
our  
work on this important front. This demonstration is being conducted by  
U.S.  
Customs Special Agent Dale Richberg (ph). Special Agent Richberg (ph) is  
currently assigned to the Customs Cyber-Crime Center in Newington,  
Virginia, and  
he specialized in IPR investigations.

RICHBERG (ph): Thank you, Commissioner Kelly.

Madam Chairwoman, I'd like to show several Internet web sties which  
demonstrate IPR violations. The web sites were captured earlier in the  
week,  
but we will be viewing the sites as if they were live.

This first site is called the Software Depot. It's located in Russia,  
and  
offers pirated business software for sale. As you can see in the  
questions and  
answers area, they even let you know up front they're located in Moscow,  
Russia.

One of the issues --- one of the problems with this web site is that it  
looks  
very professional. It gives the appearance of a legitimate software  
site. So  
the average consumer may not realize they're purchasing pirated software  
from  
this site.

So how would an investigator or the public know that the products  
offered on  
the site are pirated? One of the first clues is this word here --  
wares. It's  
here again, and located several other areas on this web site. The word  
wares is  
an accepted word on the Internet for pirated software.

Also, this area of the Internet -- also this area of the web page,  
serials.  
It's an area where you can download en masse serial numbers for software.  
Serial numbers for software are normally not offered until you purchase  
software  
-- they're not ordered -- they're not available for mass download.

Also, if we actually look at the type of products that the Software Depot offers, you'll note they have an extensive list of software -- Adobe Complete, the Super Bundle - they're offering it for \$99.00. That's a ridiculously low price. Some of the software that they offer easily runs into the thousands of dollars.

Also, they offer mixed compilations, meaning the software that they offer is software from competing companies. So you may see a Microsoft product with a competing software, for example. And that's just not going to happen on a legitimate software site.

Another example of Internet piracy involves music piracy in a popular MP-3 format. MP-3 pirated music can be located on many areas of the Internet. One of the areas we're going to look at is the World Wide Web.

This is a popular common search engine called Scour.net. It's a multimedia search engine, and it allows you to locate MP-3 music. You'd simply type in either the name of the song or the name of the musical group you're interested in and click search, and it will locate all the occurrences on the World Wide Web of that particular song or group.

In this particular case, I've searched for the Dire Straits, the Dire Straits song, Sultans of Swing. As you can see here, there's 441 pages where this particular song occurs. There's about ten songs per page. That's well over 4,000 songs.

And then if we continue, you would simply click on the song you want to download, and the song is now downloading. This is called the URL -- this is an interesting piece in the software. It's -- what it is, is it's an address. It's the address where the site is located at.

One of the first steps in investigating with tape (ph), if we were to look into the site, would be to run a common search -- a trace program. And we're running the program -- this trace software -- and it's telling us that this particular site is located in Chicago. It's on a university server.

So what's happened in this particular case, more than likely, is a student has probably placed this content on the university server without the university's consent.

And if we continue on, we'll see that the download is in progress -- it's at 6 percent, 7 percent. In less than a minute, we would have downloaded the song.

Now, if we wanted to hear that recording in MP-3 format, you'd hear a near-CD quality version of that Dire Straits song. We'll go ahead and play that song...

(MUSIC)

... get an idea of the quality.

(MUSIC)

We'll fast forward a little bit.

So you can see, it's -- it's a near CD-quality sound on that song.

Obviously, there's literally thousands of these types of sites on the Internet -- thousands. In the interests of time, I only showed a few today.

Thank you for your interest.

ROS-LEHTINEN: Well, thank you so much, Commissioner. Thank you for that presentation.

And we apologize again to all of our witnesses for the delay.

The Export Promotion Act is on the floor today, which is of extreme interest to our Trade Subcommittee, and that's where most of our members are.

If you see C-SPAN, you'll see them all on the floor talking about them. I got in early and left so I could chair this meeting. But that's where they are, and we apologize to all of you today.

And we will submit our -- our questions in writing to you, Commissioner.

We thank you so much for...

KELLY: Thank you, Madam Chairwoman.

ROS-LEHTINEN: .... being with us, and -- and for the presentation that you made.

KELLY: Thank you. We do have some items on the table over there that have been confiscated by Customs Service. They're all manifest IPR violations.

ROS-LEHTINEN: Thank you so much.

KELLY: Thank you very much.

ROS-LEHTINEN: We will take a look at those. Thank you.

We're very proud to -- to now present our second panel, headed by Ambassador Richard Fisher, the deputy United States Trade Representative, with primary responsibility for Asia, Latin America and Canada. Ambassador Fisher also serves as Vice Chairman of the Board of Directors of the Overseas Private Investment Corporation -- and we were just discussing your bill a few minutes ago.

Before joining the USTR, Ambassador Fisher was managing partner of Fisher, Ewing Partners and Fisher Capital Management. He was executive assistant to the Secretary of the Treasury during the Carter administration, and was founding chairman of the Dallas Committee on Foreign Relations, among many other distinguished groups.

And we thank Ambassador Fisher for being with us today.

We will then also hear from Mr. Tom Dickinson, the Acting Assistant Secretary of Commerce and Acting Commissioner of Patents and Trademarks. Prior to these distinguished assignments, he served as counsel with a Philadelphia-based law firm and is chief counsel for Intellectual Property and Technology of Sun Company.

Commissioner Dickinson is responsible for managing the agency's growth and ensuring quality products and services. Among the initiatives implemented during his tenure as head of the agency is the launching of the Quality Council to provide guidance in aligning PTO with established quality criteria.

Commissioner Dickinson also established the Office of Independent Inventor Programs, aimed toward inventors working for themselves or for small businesses.

We thank Mr. Dickinson, as well as Ambassador Fisher, and we thank you

mostly  
for your patience today.

Thank you. We will be glad to enter your statements in full in the record.

Thank you. You are recognized now.

FISHER: Madam Chair, you eloquently summarized the economics of piracy in your opening statement.

The value of intellectual property rights, however, goes well beyond its present economic value. A system of strong intellectual property protection -- as referred to by the commissioner in his presentation just now -- is fundamental to ensure that artists and inventors and science - scientists, and even the group Dire Straits, are rewarded for their work, and thus incentivized to push the envelope of artistic creativity and scientific advancement in the future.

To paraphrase Thomas Edison, the greatest machine ever invented is the human mind. Our commitment to intellectual property rights -- that is, to products to the American mind -- at home and abroad, is the foundation of our ability to create the manufacturing successes, the distribution systems, the computer programs, the medicines, the defense systems and the films and recordings of music of the future.

In a sense, the intellectual property of the American economy is like a warehouse of ideas. For people to walk into that warehouse and be able to steal from it is no more tolerable than the theft of goods.

And this is why we and our agency at the U.S. Trade Representative's Office place such an emphasis on ensuring that our trading partners pass, enforce and continue to enforce laws that ensure respect for our property rights -- our intellectual property rights.

Among our most effective bilateral tools, Madam Chair, in combating piracy, is the annual Special 301 review mandated by Congress in the 1988 Trade Act. Publication of Special 301 lists -- warns a country of our concerns and, importantly, it warns potential investors in that country that their intellectual property rights are not likely to be satisfactorily protected.

In many cases these actions lead to permanent improvement in the situation. In Bulgaria, for example -- was once one of Europe's largest sources of pirated CDs. We worked, through the 301 process, to raise awareness of the problem in Sofia, and Bulgaria has at this point almost totally eliminated pirate production.

China is another example where we used both the listing and actual retaliation to win bilateral intellectual property agreements in 1995 and 1996. As a result, China has a relatively functioning system which protects copyrights much more effectively than ever before. And importantly, and recently, in March, China's state council followed our example here in the United States in issuing a directive to all government ministries mandating that only legitimate software be used in government and quasi-government agencies.

Now that said, we do of course have continuing concerns in China. Pirate production is down, but imports from other pirate havens are increasing in that country, and restrictions on market access have hindered our ability to replace pirate product with legitimate goods in many cases.

As in all our IPR work, continuous follow-up and review is essential for success in China, as it is elsewhere.

In 1999, Madam Chair, we reviewed -- or we have reviewed -- 72 countries in our Special 301 review, with 54 countries recommended for specific identification and two subject to Sector 306 monitoring.

In this review, we focused on three major issues. First, we are working to ensure full implementation of the World Trade Organization commitments on intellectual property, a subject I'll expand upon in just a moment.

Second, we are addressing new issues raised by the rapid advance of technology, in particular, control of piracy in newly developed optical media -- for example, music and video CDs and software CD-ROMs. And we have made some significant success on this issue over the past year with Hong Kong and Malaysia being cases in point.

And third, we have mounted a major effort to control end-user software piracy -- that is, the unauthorized copying of large numbers of one or two illegally obtained -- or perhaps legally obtained programs, in particular by government agencies around the world.

We have used the example set by Vice President Gore's announcement of a U.S. Executive Order mandating the use of only authorized software by U.S. government agencies to win similar commitments from Colombia, Paraguay, the Philippines, Korea, Thailand, Taiwan and Jordan in addition to China, which I referred to earlier. And Spain and Israel are actively considering such decrees.

The bilateral negotiations are and will remain central to our efforts to improve copyright standards worldwide. However, as time has passed, our trading partners have begun to see the positive effect of stronger standards in their own home countries.

And this allowed us to make a fundamental advance with the TRIPS agreement -- which you referred to in your introduction to today's hearing. This required that all WTO members pass and enforce copyright, patent and trademark laws, and give us a strong dispute-settlement mechanism to protect our rights.

This agreement will soon be fully enforced. The Uruguay round -- which you referred to, Madam Chair -- granted developing countries until January 1st of the year 2000 to implement most provisions, including copyright protection for computer software.

And as we approach 2000, we are working to ensure that developing countries are taking steps to ensure that they will meet their obligations.

In the interim, we have been aggressive and successful in using WTO dispute-settlement procedures to assert our rights in 13 specific cases, stemming from the very first TRIPS-related dispute-settlement case against Japan in 1996.

FISHER: The more recent cases include one with Portugal for failing to apply TRIPS levels of protection to existing patents; another against Pakistan and India for their failure to provide a so-called mailbox and exclusive marketing rights for pharmaceutical products; a third case with Denmark, and another with Sweden, over the lack of ex parte civil search procedures; one with Ireland for their failure to pass a TRIPS-consistent copyright law; one with Greece dealing with their rampant broadcast piracy; with Argentina over exclusive marketing rights data protection for agricultural chemicals; with Canada for failing to provide a 20-year patent term in all rather than certain specific cases; and with the EU regarding regulations governing geographical indicators.

These cases, Madame Chair, illustrate the range of issues that are involved in using WTO settlement procedures and processes to protect American property rights.

In the year ahead, we expect to be equally active. As part of our annual Special 301 report, we announced that USTR would conduct a Special 301 out-of-cycle review of developing countries toward full TRIPS compliance this December.

And we are hopeful that many instances of less than full implementation can now be resolved through consultations. If not, we are prepared to address the problems through dispute-settlement proceedings beginning in January, where necessary.

And in fact, just last week, I met in Buenos Aires with the economic advisers to the three leading presidential candidates. I told them that unless the Argentine Congress provides the wherewithal to address our concerns regarding pharmaceutical piracy and patent piracy between now and year end, their government, to be elected next month, may well be subject to a TRIPS suit early next year.

At the same time, Madame Chair, our negotiations on the accession of 32 economies to the WTO offer us a major opportunity to improve intellectual property standards worldwide. The economies applying to enter the WTO include a number of countries in which our intellectual property industries have experienced very significant piracy problems over the years.

As you may have seen in this morning's paper, for example, Jordan is keen on stressing progress on this front as part of their WTO accession effort in order to attract investment to the kingdom.

In each case, we consider acceptance of the WTO requirement for passage and enforcement of modern intellectual property laws a fundamental condition of entry and accession to the WTO.

Our overriding objective at the moment is to secure full and timely implementation of the TRIPS agreement by all WTO members, and to broaden this to new members. The WTO's so-called "built-in agenda" includes a review of the TRIPS agreement scheduled to begin after implementation. And this will help us build consensus for the next steps at the WTO.

We foresee the possibility of improvements to the TRIPS agreement in due course. Among other things, we believe that it will be important to examine and ensure that standards and principles concerning the availability, the scope, the use, and enforcement of intellectual property rights are adequate and effective and are keeping pace with the rapid changing technology which we just saw illustrated, including further development of the internet and digital technologies.

We also expect that once members have the benefit of experience gained through full implementation of the agreement, we will want to examine and ensure that members have fully attained the commercial benefits which were intended to be conferred by the TRIPS agreement and the protection it affords.

In any event, no consideration will be given, or should be given, to the lowering of standards in any future negotiations.

Looking forward, Madame Chair, we are giving careful consideration to our options for protecting intellectual property associated with rapidly evolving new technologies and the fast-developing information society.

For example, we are consulting with U.S. industry to develop the best strategy to address problems such as Internet piracy. We began an effort to address this issue through the multilateral negotiations under the auspices of the World Intellectual Property Organization -- or WIPO -- which you referred to in your opening statement.

This resulted in the signature of two 1996 WIPO copyright treaties which will help raise the minimum standards of copyright protection around the world, particularly with respect to Internet-based delivery of copyrighted works.

With the recent approval by the U.S. Senate of these treaties, the administration is committed to work closely with industry to encourage ratification of these treaties by other signatories as soon as possible.

Madame Chairwoman, intellectual property protection is one of our most important and challenging tasks. To protect U.S. intellectual property rights is to protect the product of the American mind. It protects America's comparative advantage in the high-skill, highest-wage fields. It helps to ensure that the extraordinary scientific and technical progress of the past decades continues and accelerates in the years ahead, and all of women and mankind prospers from it.

Congress, through the passage of the Special 301 law; through the passage of the Digital Millennium Copyright Act, implementing the WIPO treaties; and through hearings such as this deserve great credit for bringing public focus to these issues and we thank you for it.

USTR has worked very closely with the responsible committees over the years, and we look forward to continuing that effort together in the years ahead.

Thank you, Madame Chair, and members -- and member of the committee. I'll be happy to answer any questions you have, and happy to turn this over to my friend, the commissioner.

Thank you.

ROS-LEHTINEN: Thank you so much, Mr. Ambassador.

Mr. Commissioner, we will also include your full statement into the record.

DICKINSON: Thank you very much, Madame Chairman, and members of the committee.

Let me start by commending you for holding this hearing on the protection of intellectual property. Echoing what my colleague, Ambassador Fisher, and Commissioner Kelly said, I firmly believe that no issue's more important than shaping the future growth and development of our economy and the global economy, and to the development and the maintenance of an effective intellectual property protection system.

Within our national intellectual property system, the Patent and Trademark Office is basically responsible for examining and granting patents and registering trademarks. We also serve an important policymaking role. Specifically, the PTO is the primary adviser in the administration and Congress on all domestic and international IP matters, including the international agreements.

To that end, we work closely with our colleagues here at USTR and Customs, and the U.S. Copyright Office, the departments of State and Justice, and other federal agencies to secure and expand protection of U.S. intellectual property throughout the world.

As part of that international effort, we and our colleagues within the administration engage in policy consultations and educational programs

with our foreign counterparts. The goal is not only to convey the advantages of effective intellectual property enforcement systems -- including full compliance with the TRIPS agreement -- but also to promote understanding of the critical role that intellectual property protection plays in building strong and vital economies.

Our educational programs and discussions regularly take place here in Washington and abroad. In fact, just last week, the PTO and the World Intellectual Property Organization's Asia bureau cosponsored a study program of the enforcement of IP rights for Customs officers from 12 Asian countries. Next month, we will hold another enforcement program with intellectual property officials from over 15 other nations.

The PTO traditionally consults with other federal agencies on intellectual property-related enforcement activities. I'm very pleased that Congress has recently gone further and formally initiated a new interagency coordination effort. The law, which creates the National Intellectual Property Law Enforcement Coordination Council, signals a strong commitment on behalf of the United States to improve the coordination of domestic and international intellectual property law enforcement among federal and foreign entities.

The council, which is co-chaired by us at the PTO and the assistant attorney general for the criminal division, also includes the USTR, State Department, the Department of Commerce, and the Customs Service.

It is directed to consult with the registrar of copyrights on copyright-related issues and reports annually on its activities to the president and the House and Senate committees on appropriations and the judiciary. We look forward to working with our colleagues on this new, important effort.

Securing effective patent protection as expeditiously as possible is critical to all U.S. industries, but particularly the pharmaceutical, computer and other high-technology sectors.

And on that point, Madame Chair, I can report that U.S. patent business is booming. Patent applications are up 25 percent in the just the last two years; almost 50 percent since the start of the Clinton administration. And the fiscal year that just ended, we received nearly 270,000 patent applications.

To handle the rapid growth in patent applications and to address our customers' concern, we have hired, in the last two years, more than sixteen hundred new patent examiners. At the same time, we are expanding staff training and aggressively automating our operations to improve the efficiency and the quality of our service.

Our international efforts on patent protection include ongoing consultations with our international partners through the patent cooperation treaty and the patent law treaty, as well as with our trilateral partners, the European and the Japanese patent offices.

The culmination of these efforts will streamline the procedures for and -- for filing for and maintaining patent protection throughout the world. We also look forward to the day when there is a complete international regime for patent protection -- the so-called global patent.

With respect to our trademark operations, we are also experiencing significant growth. Trademark applications rose nearly 25 percent in this year alone.

Our efforts in this area include hiring more trademark examiners.

promoting  
electronic filing and improving our searchable database.

On the international front, we expect that the implementation of the trademark law treaty this November will substantially aid U.S. trademark concerns by simplifying and harmonizing requirements for acquiring and maintaining a trademark registration in member countries -- countries.

While our publishing, computer software, information, and entertainment industries continue to face serious challenges in terms of piracy and infringement in foreign markets, progress is being made to promote international cooperation in the protection of intellectual property in the global economy.

For example, the Digital Millennium Copyright Act, passed by the Congress and signed into law by the president last October, implements the WIPO copyright treaties mentioned by Ambassador Fisher. They were recently negotiated by my predecessor, Commissioner Lehman (ph), and it was my pleasure to join Secretary Daley in depositing our instruments of ratification for these new treaties last month in Geneva.

These treaties will help ensure that other nations provide copyright protection for electronic commerce at a level equivalent to the protection provided under U.S. law. We're working to encourage other nations to ratify and implement them.

As we prepare to enter the next millennium, the PTO will continue its efforts to secure and expand protection of U.S. intellectual property throughout the world. With some hard work and goodwill, we're confident that we can build upon existing systems so that they can reflect the realities of a new marketplace -- one that is increasingly electronic and global.

This task is not without its challenges, Madame Chairman, but we believe our nation's ever-evolving IP systems will continue to serve our citizens well during the next century and beyond.

Thank you.

ROS-LEHTINEN: We thank you so much for joining us, as well.

Commissioner Dickinson, your office will be co-chairing the new enforcement council. Can you tell us what progress has been made in the establishment of that -- of that council? What recommendations has the industry provided, and what are some of the specific goals that you wish to achieve through this council?

DICKINSON: Thank you, Madame Chairman.

The legislation which established this council just passed and was recently signed by the president. So we're in the very early stages. I did speak, actually just this morning, with my co-chair, Assistant Attorney General Robinson, and we will shortly issue an invitation to our colleagues on the council to come to the very first meeting -- and we're looking very much forward to that.

We have our staffs turning their attention to the various matters that the council would take up, and they include...

ROS-LEHTINEN: What are your expectations for the council?

DICKINSON: Our expectations, frankly, are fairly high. We believe that one of the key benefits from this is to have the kind of coordination activities which have not heretofore formally existed. And I'm hopeful that the kind of -- perhaps some of the redundancies and overlap that may have existed before will

be streamlined and that we will have the opportunity to work together to come up with new, creative ways of dealing with these issues -- because, as Commissioner Kelly indicated, and Ambassador Fisher indicated, and others certainly do -- this is an extraordinarily growing problem, and one we need to take a coordinated approach to.

ROS-LEHTINEN: (OFF-MIKE) if you could address that, as well.

FISHER: Well, just a -- a comment on this idea, and the importance of having a unified view and eliminating overlap.

One of the most difficult problems we have with enforcement overseas is that intellectual property protection cuts across several cabinet portfolios or ministries in any one country.

For example, if you look at CD piracy in Brazil, a lot of these CDs are stamped out in Macao, they're shipped across the Pacific Ocean, they actually enter into Brazil from a small country that borders it the north on donkeyback, and a recording artist like Sousha (ph), for example -- one of my favorites; one of my wife's least favorites, by the way -- is denied her hard-earned earnings in Brazil.

And then you find out, of course, that tax authorities are being denied finance revenue, it's a border and Customs issue, it's a law enforcement issue, and so on -- which the commissioner well knows.

We have had tremendous difficulty in getting countries to understand that trade ministers cannot, in and of themselves, effect the kind of enforcements necessary to implement the laws that they're beholden to internationally or bilaterally, or the agreements that they've made.

FISHER: So, I want to also just add that it's important that we get other countries, and use our own example for other countries, as we have with the vice president's issuance of orders on software -- for legitimate software to be used -- set an example for others, and then expect to hold their feet to the fire.

DICKINSON: Madam Chairman, if I could elaborate just a little bit. I concur with what Ambassador Fisher said. We consult bilaterally regularly, and very recently, was in Europe and Geneva at the WIPO governing bodies. Many of the European countries approached us about -- about this establishment of this council because they would like to emulate it. This is an issue which they would like to bring back to their own countries.

So we are at the forefront, and we're to be congratulated for doing that.

ROS-LEHTINEN: That's great.

Commissioner, how will the \$50 million reduction in the CJS Appropriations Bill affect PTO's processing capabilities?

DICKINSON: Well -- thank you, Madam Chairman, for that question. The budget process is a difficult one, as I think we all understand, particularly this year, and I know Congress is taking -- has seen it as a particularly challenging one in this cycle.

The House-passed version would take \$51 million out of our request and place it into what's called a carry-over.

One of the issues which concerns our customers and our constituents the most, is that, the fees which they pay -- and we are the only fully fee-funded agency in the federal government; we don't receive any taxpayer dollars whatsoever, just the fees that are paid to do the work that we do. Those constituents, as you can imagine, when they pay those fees -- small inventors in particular -- are concerned that they -- those fees get taken away for other governmental purposes.

The impact of that \$51 million can be very significant. We're studying that question now, but it looks like we may have to slow down or possibly stop the hiring of new examiners, hiring new judges on our boards, the backlogs and pendencies that we have may increase significantly.

And when we're in a regime now where your term for a patent runs from the day you file it -- as opposed to the day it issues -- each day longer we take to examine an application is one day less that somebody gets on their term.

So, it would be a shame, I think, if -- if this led to a significant -- or any reduction in the amount of a term that a patent owner's entitled to.

(AUDIO GAP)

FISHER: You point to a very important part of this exercise, which is, the systems that are set up -- for example, I referred to the mailbox system before when we were applying for a patent to be applied in the country to make sure that while it's in the system -- first it'll progress through the system. Secondly, while it's in the system, we will be granted exclusive marketing rights.

FISHER: And again, the perfection of TRIPS and of WIPO will assist us tremendously in this process.

We know when we are being robbed. Our industry is diligent. Our industry reports -- whether it is in the visual or optical media, or the pharmaceutical industry -- to us. And we use every tool we can -- as I referred to in my testimony, and at greater length in my written testimony, Congresswoman -- to make certain that we can use the full effect of our own laws and for example, under the 301 sections that I mentioned earlier.

But, again, this is not a seamless process. It's not easy to put your finger in every single leak in the dike. But we use every effort we can to make sure that while we are awaiting approval, or once something is approved, that indeed our intellectual property is protected; our rights are upheld.

And we seek to perfect this as we go through time.

ROS-LEHTINEN: USTR has authority, under the generalized system of preferences, to deny GSP benefits to nations that aren't providing adequate and effective protection of intellectual property rights. Does USTR plan to aggressively use this authority?

FISHER: We do, and we have.

ROS-LEHTINEN: You had mentioned that you had already discussed some of these items with other ministers of -- in Argentina, you had mentioned, and what about -- what are -- what progress have we made in other countries, and do they believe us when we say that we're going exercise the authority?

FISHER: Well, I think that -- I think they definitely believe us, without doubt.

Let me give you an interesting case that I raised last week in Latin America, because it shows you, again, the breadth of this problem. It deals with Ecuador, and the intellectual property protection that is provided for varieties of flowers.

We have heard reports from Ecuador that a judge has arbitrarily canceled all the varietal flower registrations and patents of U.S. and foreign flower breeders in Ecuador. Many of these varieties are not indigenous to Ecuador, but the growing climate is quite attractive.

And so, science has been brought to bear, and patents have been provided, and protections have been in place for these various varieties and the registration of those varieties. And now it's being threatened by a court ruling.

There is a perfect case of a country where we have significant leverage. We'll see how this court case works its way through the system. We have raised our protests.

Whether it is through GSP or other means, these tools that we have are meaningful to these countries in providing access to our market. And if need be -- and we have not been shy, Congresswoman, as you know -- we are perfectly willing to use those tools in order to enhance our leverage in cases such as these.

I mention this only because it's a rather bizarre and interesting case. It shows you the breadth and reach of intellectual property. But again, here's a case where, we'll see how it goes. It's now being reviewed by a higher court. We'll see if our interests are being upheld. And in this case and other cases, we can use the tools that you've mentioned, and that is a very powerful tool, particularly with regard to countries that want access to our markets, that are in lesser stages of development, but where the principle still needs to be applied.

ROS-LEHTINEN: Let's hope so. Thank you so much.

Mr. Chabot.

CHABOT: Thank you. I'll be brief in my questions.

I just noticed some of the knock-off goods over here, the counterfeit items. And my son, my 10-year-old, is thoroughly caught up in this Pokemon craze, and if he saw that Pikachu sitting down there, even though it's fake, I'm sure he'd want me to take it home with me.

But -- and for the parents -- you know, those that have kids -- they're familiar with Pikachu and all the rest of these things. If you don't have kids, then you don't have a clue as to what I'm talking about.

I just have one question, and that's that -- do the penalties imposed under international agreements offer sufficient cost to violators to deter the piracy? And are penalties and remedies sufficient to compensate the right-holder? Are there changes that should be made?

FISHER: Well, Congressman, we expect that they are. Again, as I mentioned in my prepared statement, also my spoken statement: One of the things we'll be evaluating with regard to TRIPS, for example, is to make sure that the implementation of TRIPS, and particularly as it kicks in for all countries on 1-1-2000 -- the developing nations are then enveloped by this discipline -- is to have a review to make sure that we indeed are seeing the commercial

interest

or the interest of our intellectual property producers are indeed being protected, and that the system holds water, so to speak.

So, I'm sure there will always be critics that we're not being adequately compensated. We have labored mightily to make sure that we are. I can tell you that the reaction to using tools like GSP, but also the direct penalties that we can bring to bear using our laws and implementing these international rules and regulations, have been effective. And I think we just need to continue to monitor this situation and make sure that they stay effective.

CHABOT: Thank you. I yield back the balance.

ROS-LEHTINEN: Thank you.

Mr. Hoeffel? Thank you.

Well, thank you so much, gentlemen. We appreciate your patience. We'll be voting on the OPEC Bill in about an hour, so, let's see how we do.

Thank you so much.

Our third panel leads off with Mr. Jeremy Salesin, who is the director of business affairs and general counsel for Lucas Arts Entertainment Company. Mr. Salesin advises company management on a full range of business, corporate and legal issues. In addition to handling Lucas Art patent, copyright, trademark and other intellectual property-related issues, he negotiates and documents business arrangements and strategic alliances in the areas of development, distribution, manufacturing, marketing, and licensing.

Prior to joining Lucas Arts in November '96, Mr. Salesin was vice president, business affairs, general counsel, and secretary of sanctuary for Woods Multimedia Corporation.

He will be followed by Mr. Charles Caruso and Mr. Salvatore Monte, who are the guests of the ranking member, Mr. Menendez -- and Mr. Hoeffel of Pennsylvania is going to be introducing them for us, because Mr. Menendez is on the floor handling our bill.

Thank you so much.

HOEFFEL: Thank you, Madam Chairman, and it's a pleasure to stand in for Mr. Menendez today to introduce Mr. Charles Caruso, from Merck & Company, the international patent counsel. Mr. Caruso represents Merck in various United States and international organizations in conferences for the protection of intellectual property rights. He also reviews and monitors those issues around the world, and counsels members of Merck's law department regarding those developments.

Merck employs 5,000 scientists, and has spent nearly \$2 billion since 1998 for research and development covering nearly every major field of therapeutic research -- representing about ten percent of all U.S.-based pharmaceutical companies in that area -- and, Madam Chairman, employ 10,000 people in my district, and are a very good corporate neighbor as well.

Mr. Caruso holds a Juris Doctor degree in law from Rutgers's; has been a patent attorney and a member of the bar since 1976.

And Mr. Salvatore Monte, president and owner of Kenrich Petrochemicals of Bayonne, New Jersey -- I gather a personal friend of Mr. Menendez's, and he would be here, except he is leading the debate on the floor of the House at the moment.

Mr. Monte has championed the need for our government to challenge the Japanese government to adhere to international treaty obligations for the protection of intellectual property rights by ending the notorious practice of patent flooding.

As an inventor, Mr. Monte has patented and developed several globally used chemicals, including chemical titanites -- I hope I said that right -- in the early 1970s.

In an attempt to expand, in 1980 Mr. Monte contacted a Japanese firm to manufacture and distribute his invention, and was required to share his formula with the Japanese. Now, 20 years and millions of dollars in losses later, at least 40 Japanese patents have been based upon Mr. Monte's licensed technology.

I understand in 1990, Congresswoman Helen Bentley first spoke about the problems faced by Kenrich Petrochemicals. At that point Kenrich represented -- rather, had 90 employees, and now is down to 30, if this information is correct -- Mr. Monte obviously fighting hard against the negative impact on his company by the patent flooding that's occurred to him.

Thank you for the opportunity, Madam Chairman, to introduce two of our...

ROS-LEHTINEN: Thank you so much. That's an incredible story. We look forward to that testimony.

Mr. Salesin -- and all of your statements will be entered in full in the record.

Thank you.

SALESIN: Thank you, Madam Chairwoman, and distinguished committee member -- and I thank you for the opportunity to testify...

ROS-LEHTINEN: If you could perhaps move the mike just a little bit closer.

SALESIN: Ah, there we go.

As you said, my name's Jeremy Salesin. I'm the general counsel of Lucas Arts Entertainment Company. You may know Lucas Arts as the producer of dozens of best-selling entertainment software games -- titles such as Rogue Squadron, and most recently the games based on "Star Wars: Episode One: The Phantom Menace."

I'm testifying today on behalf of the Interactive Digital Software Association, which is the trade association that represents the publishers of entertainment software for video game consoles, computers and the Internet.

In 1998, U.S. entertainment software publishers had \$5.5 billion in U.S. sales. Furthermore, the U.S. entertainment software industry, and other core copyright industries, are collectively responsible for over \$60 billion in foreign sales and exports -- more than any other industry sector.

That's the good news. The bad news is that intellectual property piracy threatens the continued health of my industry. Piracy has cost us over \$3 billion in losses in 1998 alone. That's right -- an industry with \$5.5 billion in U.S. sales has lost over \$3 billion due to piracy.

What's more, in many otherwise promising markets such as China, Argentina, Brazil, Turkey, and Thailand, the piracy rate is in excess of 90 percent -- meaning that virtually all entertainment software sold is pirated.

And, I might add, these piracy numbers are conservative. They don't

actually include losses through the Internet piracy, which are very hard to measure. Some anecdotes about piracy of Lucas Arts titles can demonstrate this reality. We have not released a single game this year that was not available in a pirate version on the Internet within a week of arriving on store shelves. In some cases, the products are even available on the Internet before they reach stores.

In addition, with each new release of one of our games, it's common to find that individuals have burned on their home CD burners 20 to 30 copies, and put them up for a Dutch auction on auction sites such as an eBay or a Yahoo!.

Lucas Arts also released two games to coincide with the May release of "The Phantom Menace" film, and within days, in Hong Kong, you could get a three-pack, two games and the film on VCD for a mere \$15.00.

Some of the level of piracy has actually led my industry to change its method of producing games -- where before, we would release a U.S. version, and then we would release foreign versions, now we will actually develop and localize the title completely for all the languages and countries that we feel are major markets, and then release it simultaneously, in order to avoid pirating in many of the foreign markets. Even that doesn't help a great deal.

The vast majority of entertainment software piracy occurs outside the United States, and is increasingly dominated by organized crime rings. The crime syndicates have become so big that they market their own brands. For instance, the Players ring, operating out of Southeast Asia, stamps its CDs with its own logo, which often replaces the trademarks of the true game publishers.

These international crime rings mass-produce and assemble pirated entertainment software in countries such as China; Bulgaria; Macao; and Taiwan, and ship through nations such as Paraguay and Panama, that have spotty customs enforcement, and finally, sell, in addition to these countries, in places like Russia; Brazil; Argentina; and Indonesia, among others.

This pervasive illegal trade in U.S. entertainment software effectively bars my industry from entering many markets. We simply cannot compete with pirates who sell entertainment software at a mere fraction of our break-even price.

With this breadth and depth of entertainment software piracy, the question remains, what can be done? I believe there are a number of things Congress and the U.S. government can do to help us control this piracy.

First, as we discussed a little bit earlier with the U.S. Trade Representative, nations that are a source of major piracy, and in particular, those identified in the annual Special 301 report as providing inadequate and ineffective protection of intellectual property, should not be given preferential trade benefits under the Generalized System of Preferences program.

Currently, the GSP program provides USTR discretionary authority to withhold GSP benefits from nations that fail to provide adequate and effective protection of intellectual property. But unlike the Special 301 statute, the GSP program does not define this phrase. If Congress harmonizes the definitions, it may provide the USTR with much clearer guidance that Congress intends countries listed under Special 301 to be denied the GSP benefits.

A second thing which Congress can do is to continue to support the criminal

prosecution of intellectual property theft.

SALESIN: This is vital, because many pirates are effectively judgment-proof, and because intellectual property theft is widely perceived to be a minor and victimless crime.

In a move that my industry welcomed and applauded, the Department of Justice, U.S. Customs and other federal agencies recently announced a federal initiative to prosecute intellectual property crimes -- and we've talked about that some today.

Through the exercise of its oversight and appropriations role, Congress should ensure that the executive branch remains committed to this IPR initiative and has the resources to pursue it.

Finally, Congress should support and encourage the continued efforts to make meaningful international agreements protecting intellectual property rights. Congress should encourage the executive branch to aggressively press developing nations, which have already had a five-year transition period, to meet their obligations to fully implement the WTO agreement on trade-related aspects of intellectual property rights by January 1st, 2000. There should not be any additional grace period.

Likewise, Congress should encourage the administration to continue to aggressively press other signatories to ratify and implement the World Intellectual Property Organization Copyright Treaty.

Now, I could recite the economic tax and consumer damage caused by piracy, both in the U.S. and abroad, but I want to focus on what I think is the most important issue for us -- which is that this activity hurts the creators of the intellectual property. The creative process is injured.

And the founders of this nation provided specific protection for intellectual property in the U.S. Constitution because they recognized that the creative spirit provides great benefits to society, but needs an environment in which it can flourish. And piracy destroys the spirit and poisons the environment for these creators.

It is for this reason, above all others, that Congress must vigilantly adhere to its constitutional directive to protect intellectual property.

Thank you.

ROS-LEHTINEN: Thank you so much. Mr. Caruso.

CARUSO: Good afternoon, Madam Chairwoman and Congressman, and thank you for the opportunity to speak with you today about the very important issue of the need to protect American intellectual property rights abroad.

I am Charles Caruso, the international patent counsel for Merck. We are a U.S. research-intensive pharmaceutical company with operations worldwide, focusing on the discovery, manufacturing and marketing of important medicines that treat, prevent and cure disease.

I would like to briefly summarize my written testimony.

Merck employs about 5,000 scientists, and -- as the congressman noted -- will spend more than \$2.1 billion on research and development in 1999. This investment has yielded impressive results. Since January 1995, Merck has introduced 15 new medicines -- an unprecedented number.

Merck's commitment to research will also bring new medicines and vaccines to patients in the future. Some promising new treatments currently in Merck's research pipeline are for the treatment of cancer, depression, infection, osteoarthritis, and pain.

As a major discoverer of vaccines, Merck is currently researching vaccines for the prevention of HIV infection, and human papilloma virus, a major cause of cervical cancer.

As Merck's international patent counsel, I am keenly aware of the link between our ability to invest in research and intellectual property -- especially patent protection. Strong patent protection is of fundamental importance to the pharmaceutical industry because drug research is highly risky, time-consuming and expensive.

But many pharmaceuticals can be pirated abroad for a fraction of the research and development cost.

To encourage risk in innovation, a patent provides an exclusive right to an invention for a limited time period. The evidence demonstrates the direct relationship between strong patent protection and pharmaceutical innovation. Because of its strong patent laws, the United States is the world leader in drug development.

In a 1988 World Bank study, it was estimated that about 65 percent of drug products would not have been introduced without adequate patent protection. Try to imagine modern health care without 65 percent of the medicines that are available today.

This hearing is particularly timely, as the United States and other members of the World Trade Organization are preparing for the WTO ministerial in Seattle later this year. Thanks to the leadership of Congress and the executive branch, especially the U.S. Trade Representative, the U.S. has led the fight for strong intellectual property protection around the world.

Two issues are of immediate concern to our industry: the implementation of existing intellectual property agreements, especially TRIPS; and secondly, the possible attempt by some WTO members to weaken the TRIPS agreement, particularly as it relates to pharmaceuticals.

On the implementation issue, the pharmaceutical industry is facing its own millennium bomb, which might explode on January 1, 2000. We are concerned that a large number of developing countries will not meet their international obligations to enact TRIPS-consistent intellectual property laws by January 1, 2000.

The second issue concerns the likely attempt by some countries to define a WTO trade agenda designed to weaken TRIPS and to create broad exemptions targeted at pharmaceutical patents. As I have described, there is a fundamental link between intellectual property protection and pharmaceutical innovation. If the Intellectual Property Foundation of the pharmaceutical industry is threatened, the result will be fewer medicines and vaccines for patients everywhere.

I urge this subcommittee and the Congress to provide as much support as possible to the U.S. government negotiators in Seattle to resist any and all attempts to reopen the TRIPS agreement for the purpose of diminishing its standards.

By protecting innovation, patents protect innovative medicines from foreign piracy and preserve incentives for research, leading to tomorrow's discoveries.

Thank you for the opportunity to testify, and for holding this hearing on this highly important topic.

ROS-LEHTINEN: Thank you, Mr. Caruso.

And we would like to now hear from Mr. Salvatore Monte, and he's accompanied by Lieutenant General Sumner (ph), who is here as an expert witness, if needed. And the general is a friend of Congressman Dana Rohrabacher. So we welcome both of you today.

Thank you, Mr. Monte.

MONTE: Thank you, Madam Chair. Thank you, ranking -- Congressman Menendez, wherever you are, and Mr. Hoeffel for stepping in for him.

General Sumner (ph) will finish off my remarks, but I'd like to thank you for this invitation to testify today on a subject that has come to dominate my life, and my wife Erica's (ph) life, for the last quarter of a century.

Thanks to Congressman Menendez's effort in having us here at this hearing today, we have renewed hope that the government will see to it that Ajinomoto of Tokyo, Japan, pays the price for stealing our intellectual property, and that we can have our case tried in the U.S. federal court, where it belongs, and not in Tokyo -- where our State Department believes we'll be treated fairly in a rigged judicial system that allows corrupt practices such as patent flooding.

You have my prepared statement, which highlights how the large \$6 billion Japanese company like Ajinomoto goes about stealing from an American inventor and entrepreneur like me by violating intellectual property rights that are supposed to be protected by a contract written under the laws of the United States of America, protected by a U.S. and worldwide patent portfolio of 220 patents, and protected by registered trademarks, even in Japan.

Ajinomoto stole my invention technology to provide 1,000 new jobs in Japan, while Kenrich was driven into Chapter 11 and went from 90 to 30 employees. I've brought some show and tells -- patents and documents that are in front of me here -- so that you can understand why this is a \$250 million business for Ajinomoto and still growing -- a business that I developed through my inventions, and which they're gathering all the -- all the benefits of it.

Our titanium-based molecules form a chemical bridge between the inorganic and organic world. We are the titanium in the Wilson titanium golf ball. We are responsible for the continuous wear performance of Revlon Cover Girl makeup. We are in everything that's high-tech coming out of Japan -- the magnetic recording media, the Fuji audio tape.

In the U.S. alone, there are three patents by Fuji, TDK and Sony on covering magnetic recording media, and I got the word from Taiwan that they made a deal that Fuji's patent would dominate.

Canon has our technology in their patents, and they have 32 European patents alone -- one in Germany runs a 132 pages long.

I have here also a U.S. patent issued to Xerox on digital photocopier toner based on a gammapheric (ph) oxide imported from Japan, from Tota (ph) Chemicals, and the gammapheric (ph) oxide is treated with a half a percent of my invention

technology, called Kenreact (ph) Kira (ph) 38-S.

Here's how it works, I was forced the license the product to Ajinomoto in Japan. Ajinomoto then makes the KR (ph) 38-S on the license, sells it to Tota (ph) Chemical in Japan. They treat the chemical on the gammapheric (ph) oxide. They give it to Xerox researchers in the U.S. They come up with a new and improved, best- ever digital copier toner. They file a U.S. patent. They buy the stuff from Tota (ph) -- they buy the chemical from Tota (ph) -- the gammapheric (ph) oxide. Ajinomoto sells the KR (ph) 38-S (ph). Ajinomoto doesn't report the sale to Kenrich. We can't get in and audit their books -- we tried two and a half years, spent \$62,400 with Arthur Anderson. And the net result is we get zero royalties.

I also have here a U.S. patent issued at the time -- filed at the time we went Chapter 11, and Gordon Sumner (ph) here -- General Sumner (ph) is here to explain how we lost \$10 million in (OFF-MIKE) sales because of the collusion with the Japanese and top-level Pentagon officials.

I'd like to count some of the ways that Ajinomoto uses the Japanese mercantile system to steal our intellectual property, and they use patent-flooding as one of their techniques.

Japan is a closed market; you really can't sell into it. I didn't want a contract in Japan. I had to have a contract if I wanted to do business. I could go on about how that occurred -- but what they did is they forced me into dumping down my 43 products that I was importing through a trading company into 15, on the contention that they were going to register those 15 and that would cost a lot of money. I found out, after I spend \$1,700, that we are not registered in Japan. Only two of the 15 chemicals ever got registered. The whole process was a sham.

There is here a karitzu (ph) report which shows you all the interlocking of the Japanese karitzu's (ph), and how, because of the way they work together, they can patent-flood and use interlocking arrangements so that Nippon Sota (ph), Tokiyama (ph) Sota (ph), Mitsuma Mining (ph) and Smelting Kuankenfine Chemicals (ph), all in cooperation with Ajinomoto, can knock off my patents.

When you mentioned that there were 40 patents issued -- those were only the ones issued to Ajinomoto. There are literally 600 flooded patents on my pyrophosphato-titanites (ph) alone, which are used in the magnetic recording media and the videotapes.

The USTR has an annual report on foreign trade barriers. Japan has the largest section. Everything that Ajinomoto did to us is mirrored in that report.

We've been -- we've been going on with this case for nine years. Publicly, when Congresswoman Bentley gave a speech on the House floor on October 1st, 1990, attacking Ajinomoto for what they were doing to us -- well, within six weeks, the Dia-Ichi Kangyo Bank -- which is Ajinomoto's karitzu (ph) bank -- bought my bank through CIT, and they called my notes, and put us into a credit squeeze that put us into Chapter 11.

That's the hardball they play. With Japan, it's business is war. And CIT gained control of my accounts receivable financing, my customer list, and reduced my sales from \$12 million down to \$6 million six months -- causing me to knock off 60 people and reduce my sales force from nine to one person.

We lost the lychatrol (ph) business that I had spent from 1982 to 1990 developing with the U.S. Army, through a defeat our Public Law 85-804 bid in 1981. A phony excuse was given that cabasule (ph) could replace the lychatrol.

and that's since been proven to be a lie. We have a report into the chairman of the Joint Chiefs of Staff and the Inspector General of the Army, and General Sumner (ph) talked to the Inspector General this morning.

I have other stuff I could tell you that just goes on and on about trademark stealing, but you asked me today to comment on patent-flooding. The ludicrous part of this whole exercise is that we talk about globalization of intellectual property laws and patent laws, and we still have this dichotomy of the Japanese filing valid U.S. patents according to the (OFF-MIKE) equivalent, and then in their own country, they patent-flood to beat the band.

And they allow themselves to play both sides of the street, and I don't understand how we can tolerate any kind of globalization or harmonization of intellectual property laws as it relates to patents unless we address primarily the issue of patent-flooding. Because that's the vehicle by which they undermine every effort you have in order to gain effect of your intellectual property.

Specific to Kenrich -- we have a bill in the Congress right now, which we'd like to have, that would right some of the wrongs of a 1985 Supreme Court decision called Mitsubishi versus Solar (ph), that will enable Kenrich to bring our Ajinomoto case away from where it is now, in the Japanese Arbitration Association in Tokyo -- and that's another story -- back into U.S. federal court, where we can establish case law on patent-flooding and right some of the wrongs that are going on.

MONTE: I have other ideas, but I really would like to turn the balance of my time over to General Sumner (ph), so he can make some comments for me.

Thank you for having me here today, and I would be pleased to answer any question in detail. There's a lot of stuff I have that I can talk about...

ROS-LEHTINEN: Thank you so much. And it's certainly a tragic story. Thank you, Mr. Monte, for sharing that with us.

General Sumner (ph).

LIEUTENANT GENERAL SUMNER (ph): Well, if I can get this on -- can you hear me all right?

UNKNOWN: Yes.

SUMNER (ph): All right.

Over the past 56 years, I've had the opportunity to testify before the House, and I appreciate the opportunity, Madam Chair, to do this, and other members of the committee.

I can't think of a subject that's more important -- not only to the country, but to the national security of the country -- than this subject today.

I've been involved in this particular case for some -- over 10 years now, and I would make the point that the wealth of this nation is not found in the smokestacks in the industrial base. It's our intellectual property -- that's the wealth of the nation. And if we don't begin to understand this, then the young people sitting here in this room are going to find that the country's going onto the ash heap of history, because we are going to be overtaken by people that are not necessarily our friends, not do they have the same view or value system that we have.

And as an old soldier, I became particularly outraged as I watched what was happening. And we -- pick on the people OCONUS (ph), overseas, the other countries -- we have the same pirates here in this country, doing the same thing. They found out that the Japanese could get away with it, why don't they -- why don't we do it here?

And they've done it. They've taken Sal's patents and refiled them. They've -- they've -- they were under security restrictions, they took those security restrictions away. And I've talked to the Inspector General of the Army about this at length.

But we -- we really have a -- a major problem here, and the -- one of the products that Mr. Monte has developed is used in the insensitive high explosives. Well, the insensitive high explosives are important not only to the conventional forces, but also very important to the nuclear forces.

Now, we've just gone through a whole brouhaha up at Los Alamos -- and incidentally, my company -- I have over a hundred of what I call the coneheads, and I think Sal would -- would qualify. These are chemists, physicists, computational experts, et cetera. They have looked at his products and -- and the Los Alamos National Laboratory looked at it, and said, this is important for the insensitive high explosive we use in our nuclear weapons.

So it's not only just the -- the cosmetics, and it's not just the -- the tapes and the superficial things -- it's the basic science that's being put at risk here.

When someone like Sal Monte figures out a way to bond organic and inorganic materials, this is a worldwide application, and it has very important national security implications.

And I sit here and listen to the words of the administration -- and it's not only this administration, it's past administrations. The words are great, but when it gets down to the point where you have a real case to go to court, our State Department steps in and says, oh, no, we can't hazard our relationships with a -- with an important trading partner over -- over some little company up in New Jersey. That -- they -- of course, they don't understand what it's all about in the first place, but, it -- it -- it leaves -- it leaves the little -- the little entrepreneur hanging out to dry.

And if you look back, the history of the last ten years -- and this is not to take anything away from Merck or any of the other major Fortune 500 companies -- it's been the little -- the little entrepreneur with the bright idea who is going to change the world. And the first thing you know, his idea is stolen.

And what does that tell -- what does that tell the young people sitting here in this room? Well, you better be careful.

And I don't see the executive branch of this government -- and I sit back over several administrations -- doing anything about it. So it's up to the Congress to do something about this, and let the judiciary get their teeth in this, and let's bite somebody, and bite them hard. Make it -- make it happen.

I appreciate the opportunity, again, to -- to ...

ROS-LEHTINEN: Thank you.

SUMNER (ph): ... to talk to this group, and ...

ROS-LEHTINEN: I agree. We are here to bite.

SUMNER (ph): I hope ...

(LAUGHTER)

ROS-LEHTINEN: Thank you so much, General. We appreciate it.

SUMNER: And I hope -- I hope we can make something happen. Thank you.

ROS-LEHTINEN: Thank you. Thank you so much.

UNIDENTIFIED: Thanks, General.

ROS-LEHTINEN: I'd like to ask whoever would like to respond, in the worst of violating countries, we have seen that there could be parallel economies at work -- that is, illegal, international trade coinciding with its legitimate counterpart. And does the illegal trade tend to dominate in those cases -- what has been your experience? And you believe that this actually demonstrates that the government is actually complying -- being part of this problem in its involvement, corruption, or at the very least, neglect? And do you agree or disagree that piracy could only be in place in these countries where -- where there is no political will to end it?

CARUSO: Yes, I'd like to take a attempt to answer that question.

One of the issues facing the pharmaceutical industry is this issue of parallel trade, where goods that are sold in one country are exported from that country and re-imported into another country. And that -- that has basically been a serious problem.

Intellectual property is designed to give access to a single market. So the United States patent protects the market of the United States; the Canadian patent protects the Canadian market. So this concept of parallel trade runs counter to that territorial theory of patent protection.

One of the problems that the pharmaceutical industry has faced is that counterfeit goods ride on the back of parallel trading goods. In fact, what we've seen, through an investigative inquiry that we have undertaken -- something called the pharmaceutical initiative -- parallel trade is the door by which counterfeit goods enter into trade. So there's an attempt to pass these counterfeit goods off as legitimate goods.

So the problem we faced is basically one of parallel trade, and a concomitant problem is counterfeiting. That's something the United States does not want to confront, and any legislation in the United States to allow parallel trade is something that is contrary to the public health interests of the people of our country.

SUMNER (ph): Could I make a comment on that, Madam Chair?

ROS-LEHTINEN: Yes, General.

SUMNER (ph): I think a -- a perfect example of this is Panama, where you have the free-trade zone at Colon -- and this parallel trade he's talking about, where it moves from one country into a free-trade zone, and you -- because Panama is such a small country and because it -- you can really focus on that, I think it's worth looking into. And the -- the Panamanian government -- the past Panamanian government, not the -- not the new government -- I think has been fully a partner in this conspiracy.

(CROSSTALK)

ROS-LEHTINEN: Thank you. Mr. Monte.

MONTE: I have some problems that are like Merck's, but unique in their own way. You understand that if you're going to market a chemical in today's global economy, there's an environmental awareness as to the toxicological effect of that chemical. So you have to disclose the chemical structure. Once you disclose the chemical structure, you've told an intelligent scientist how to make it.

So before you disclose the chemical structure, you have to file your patent position. Now, the way the patent laws are set up on a global basis, you file in the U.S., then you PTC it, and you follow within the year, filing it internationally -- which today means a position of at least 17 countries.

So the simplest idea, you're in for \$75,000 just in international patent filings. And you speak about me being a small guy -- on my last invention, which was making plastic -- clear plastic permanently anti-static -- I spent over \$110,000 just on the intellectual property position; haven't got a cent out of it yet.

The problem I have is that I have to -- once I disclose the chemistry of -- of the molecular structure of how you achieve this anti--static effect, the Japanese copy it. They put it into their plastic. Now you go prove that your stuff is in there. When they patent-flood around it, you do a forensic analysis of it, with atomic absorption, and you chemically destroy the product in the analysis, so you come up with yes, it's phosphatal (ph) group; yes, it's sulfunal (ph) group -- but is it yours? Or is it the 600 that have been patent-flooded around it?

That's the issue. That's the problem. How the hell do you defend that? How do you -- how do you go at that? And how do you stop them from exporting to all the other countries?

Everything -- I mean, we are -- we code intiam-oxide (ph), and make intiam-oxide (ph) functional. What the hell is intiam-oxide (ph)? Well, it's -- it's what makes flat-panel screens possible. And this demonstration you saw from the Department of Commerce is what intiam-oxide (ph) does.

My stuff's on intiam-oxide (ph). You don't make flat-panel screens in the United States of America; you make them in Southeast Asia. They come of Japan, or on the Japanese companies in other Southeast Asian countries. My stuff's in all that stuff. I don't get anything out of that.

How do you police that? How do you control it when they're allowed to patent-flood, they're allowed to have this sham of having their intellectual property people in Japan take these small patents and build around your patents, and then when they come over to the United States to play the game by the United States' rules, and we allow this parallelism to go on? They can play the game properly if they're forced to. They're not forced to, so why should they change?

You've got a mercantile system, a fortified Japan. You can't get them at their own judicial system. You can't win in Japan. You can't win in Japan.

So what do you got left? You come here to the Congress, and you talk about it. You talk about it -- I've been talking about it for ten years. When -- when am I going to get what's coming to me? When are we going to change

the law  
that we've asked -- Congressman Menendez has put together, Senator  
Toricelli  
has cosponsored?

All you got to do is pass the law and get on with it, and we'll get this  
thing straightened out in U.S. federal court. We've got everything ready  
to go.

I've got 37 boxes of file data like this that proves this I've been  
screwed, and  
I don't get a chance to talk about it. We just talk about principles,  
and the  
State Department comes down and testifies against me. I don't get it.

ROS-LEHTINEN: Well, do you believe that American interests in  
international  
intellectual property rights are being sacrificed in order to sustain and  
expand  
commercial relations with these violator countries -- whether it's Japan  
...

(CROSSTALK)

MONTE: And it started with Zenith and TV screens, and it goes on. All  
the  
(inaudible) coming out of South Korea have my stuff on it. We don't  
control the  
video technology of manufacturing. Even Zenith now makes their tubes in  
Mexico.

We are pulling out all that high-tech stuff offshore. In automotive,  
it's --  
it's follow the path of least cost of manufacture. If you want -- if you  
want to  
talk to Mattel, you don't -- you don't go anywhere in the United States;  
you  
don't go to Fisher Price up in Buffalo, you go to Tijuana. That's the  
way --  
that's the way it works.

ROS-LEHTINEN: I'd like to recognize former Congresswoman Helen Bentley  
in the  
audience. I know that Mr. Monte had recognized her in his ...

MONTE: My champion.

ROS-LEHTINEN: ... in his statement. Thank you so much, Helen, for  
being with  
us.

Mr. Hoeffel.

HOEFFEL: Thank you, Madam Chairman.

I didn't recognize Congresswoman Bentley. It's an honor to see you, and  
congratulations for taking up Mr. Monte's case.

HOEFFEL: I want to thank all of the panel for being here to talk about  
intellectual property right problems.

Mr. Monte, I had a prepared question here to

(AUDIO GAP)

HOEFFEL: ... take more legal action in Japan...

MONTE: Yes.

HOEFFEL: ... but from what you are saying, you don't want to do that,  
you  
want to come back to federal -- U.S. district court...

MONTE: The -- the problem with my issue is that you glaze over with all  
the  
-- the detail. The devil's in the details.

We negotiated a 1980 contract -- Darby and Darby (ph) was my attorney  
-- Burt  
(ph) Lewin (ph), an excellent chemical engineer. The patent is filled  
with all

boilerplate that any genius can put into it from American patent and intellectual property law. OK.

In the agreement, you have two levels -- you have federal -- it's written under the laws of the United States -- you have two levels: the federal court jury trial, and you have arbitration. You put arbitration in as a clause because not every disagreement you anticipate is going to be a federal court jury trial level. And arbitration's cheaper, so you put it in. And according to the Japanese, you put it into accordance with the 1952 U.S./Japan bilateral trade agreement on arbitration. OK.

That's 1980. 1985, Mitsubishi and Chrysler have a fallout on -- on an agreement. It goes to -- it goes to arbitration. The American company, Chrysler, loses. Chrysler says: Screw it, it's an American -- American contract, American law. They take it to U.S. federal court. They win the case.

The Japanese, Mitsubishi, says: Well, that's not fair. Every time we have an arbitration we lose with a U.S. federal -- with a U.S. federal government contract, we lose because of double jeopardy before an American jury. We think that's patently unfair. Arbitration clauses should be binding.

So when Mitsubishi/Solar (ph) case, the Supreme Court ruled on a split decision that arbitration is now binding in all contracts. So ex post facto five years later, I am now bound by the -- the Supreme Court decision, so now I have to have my case before arbitration.

I'm in Chapter 11. I'm telling everybody, we can pay back everything we owe to creditors if we just get our money from Ajinomoto. OK, they say, well, how you going to prove that? Well, we got to audit the books, right?

So the federal bankruptcy judge orders a budget of \$40,000 to conduct an audit. We get Arthur Anderson to agree that they could do it in Tokyo without conflict. Two and a half years later -- \$62,400 -- we don't get a certified statement. We have no clue as to what the books are of Ajinomoto. They give us all kinds of garbage excuses that are really insults to your intelligence, like they don't have computers that can handle it, they didn't split the -- the contracted goods separate from their own reports so they would be...

HOEFFEL: But let me ask you this: Where can you best defend your rights?

(CROSSTALK)

MONTE: Well, in U.S. federal court.

So what happened was, we -- Donald Diner (ph) from O'Connor and Hanna (ph) at the time decided, OK, let's go to arbitration, let's just focus on the fact that we spent \$62,400. Let's do an audit. We have a right to an audit.

We conducted the audit. We spent the money. We didn't get an audit. Our contract has been violated. It's pretty clear, right?

Well, we won the argument before the American Arbitration Association, but they said because it concerned in an audit -- concerned the books of Ajinomoto -- they're a \$6 billion company -- we're going to move the venue to the JAA, in Japan, Tokyo, because you mutually respect each other's venue.

By the way, we found out last year that the panel was two Japanese in New York City, out of three. And I lost two to one on the vote.

So now I'm supposed to go to Tokyo. And I say: Hell, I'm not going to Tokyo. This is my invention. It's a U.S. invention, under U.S. law, governed by U.S. law, and I'm going to Tokyo to defend myself?

I said I wasn't going to go, and Congresswoman -- Congressman Menendez put together a bill...

HOEFFEL: OK.

MONTE: ... that looked at this oversight of Mitsubishi/Solar (ph) and said, OK, let's get this -- this oversight corrected, and open up a six-month sunset provision to allow me to go into federal court.

Where we had it all set up last year before the Intellectual Subcommittee -- Judicial Committee on Intellectual Property to do that, the State Department stepped in and said it would be terrible to Japanese/U.S. trade relations to have this ad hoc bill passed, and it would be disharmonious to our -- our relationship, and I've been stymied ever since.

HOEFFEL: All right. I understand.

MONTE: You understand?

HOEFFEL: Thank you.

MONTE: I mean, that's -- that's the explanation.

HOEFFEL: Thank -- thank you for the explanation.

Let me ask Mr. Caruso -- I assume Merck has the same kinds of problems that Kenrich company faces in Japan. You must have them all over the world.

How do you avoid them, if you do? And do you have -- does -- does Merck have advice for smaller American companies on how to -- how to deal with this?

CARUSO: Well, we deal with these issues of enforcement of intellectual property rights on a worldwide basis. And it is, frankly, a very difficult task.

Part of it includes education of people in the country to recognize the benefits of intellectual property protection. You know, we are -- through this TRIPS agreement and through the World Trade Organization, I think the United States is involved in a massive global education campaign to get people to recognize the benefits of intellectual property and how that drives innovation.

That's very good for the long term. But the question is, what happens in the short term? And the answer there is, you need to employ local counsel to enforce your intellectual property rights and to vigorously do the job to -- to get the protection that you're entitled to.

Merck -- we've had some experiences that have turned out in a positive way. We've had other experiences, particularly in -- in some of the Eastern European countries, where we've had primarily process patents -- not product patents covering the pharmaceutical product.

Because we're limited to methods of manufacturing, the local companies say: Well, we don't use your method of manufacturing, we use an alternate one. And the question became: Well, what method do you use? Have the court reveal to us what manufacturing method is utilized.

We've been in litigation in Slovenia for six years, and the court still has not enforced the third-party copier to reveal what manufacturing process he uses.

So we have enforcement problems. The -- the answer is, you know, vigorously enforce your rights, get local counsel, utilize the U.S. government to -- to assist you, and continue the education efforts.

HOEFFEL: Of course, the only drawback with that, if you're a very small company, is it costs a lot of money.

MONTE: Oh, boy, does it. Right. You're right.

HOEFFEL: One -- one quick question for Mr. Salesin. And thank you, Mr. Caruso.

Mr. Caruso led into my question by talking about education and -- and letting people know. Does the entertainment industry have a particular ability to help here? I understand the problems you have with pirating, but of course you guys have a wonderful ability to -- to educate and -- and so forth.

Can -- can the entertainment industry be of help to the government in -- in educating and -- and trying to correct this?

SALESIN: Well, as an association, we certainly are trying to educate people, through our Web site, through our programs in foreign countries with our foreign licensees -- trying to make people understand that the piracy of our property is not a victimless crime -- that people really do need to get some return out of their efforts or else jobs will be lost -- as you see.

And we have, in a sense, the exact same problem. But we are trying to educate. I -- I don't know if you are asking us whether we can help. I'm sure we would be willing to try to help.

HOEFFEL: Well, some -- some television ads in America would go a long way toward -- toward educating our constituents and us regarding the problem. Obviously that costs money, but you guys have the money, and you've got the talent and -- and the spokespeople that could really grab public attention.

SALESIN: Well, I would say that our association is looking at an education campaign. It is not a simple thing to do. A lot of people don't really understand that when they copy a piece of software -- especially given the U.S. market, if you're talking about educating in the U.S. -- that that is a crime that people do get hurt.

And it is a very expensive undertaking to try to educate the entire United States on that point.

HOEFFEL: Well, certainly, the -- the first obligation is ours, as a government. But I think the entertainment industry could certainly help.

SALESIN: Well, I think one aspect of education that we are trying, frankly, is to bring an enforcement case in the U.S. on the civil side, to try to educate people that there really are victims.

And we have done that as an association. But in attempting to do that, we also would like to help with the government in bringing criminal actions, which are much more effective because, you know, they get much more coverage, they have much better law enforcement opportunities to seize and to search people's residences and things like that.

So we do need the government's help. We also are trying to do it on our own.

HOEFFEL: Very good. Madam Chairman, thank you.

ROS-LEHTINEN: So much. Mr. Sherman.

SHERMAN: Thank you, Madam Chairman. Thanks for having these hearings.

Obviously, we need to reorient our foreign policy establishment. As Madam Chair has heard me say before, their attitude tends to be that we would like the honor of defending foreign nations for free, and in a return for that honor, we would like to make major trade concessions. If this was a wise policy during the -- the Cold War or not is no longer relevant to us, but it's certainly not a wise policy today.

I'm particularly interested in the bill that you referred to that was carried by Mr. Menendez. If you could describe that bill for me, and how it gave you access to the U.S. courts...

MONTE: The bill has a six-month sunset provision, I believe it is, to -- to simply address the specifics of the Mitsubishi/Solar (ph) case law, and say, in effect, that all bilateral trade agreements with Japan prior to 1985, if affected by this binding and mandatory arbitration ruling, have an opportunity to file the case in the U.S. federal court.

It's pretty simple. It's, like, two paragraphs. End of story.

SHERMAN: So I guess our -- our risk here was that Japan, which enjoys -- what is it? -- a \$60 billion trade surplus with the United States, would somehow think that our rules were unfair?

MONTE: Yes, right. And -- and that we would be treating them unfairly. It -- even though the State Department came down and spoke out against Kenrich -- which I really was infuriated over -- they couldn't produce a number as to how many companies would be involved if this law were passed.

How many companies, in fact, have a bilateral trade agreement with Japan, prior to 1985, that have been affected by this ruling of mandatory arbitration? Maybe two? One? Me, for sure.

You know, I'm raising my hand. I need help. I need help from my government. And my government's standing up there saying no. And they've -- they've stalemated me, and Ajinomoto's people have told my attorneys we don't have a prayer in Hell of getting that law passed. They're confident they're going to be able to stalemate me and grind me into bankruptcy. And they're going to win.

SHERMAN: Given the natural tendency of this Congress to simply to along with what the State Department suggests, they may be right. Others who have served in Congress longer who might know what the chances of getting this bill passed, but apparently, they weren't good when it was raised last year with the Judiciary Committee.

I'm particularly concerned with Canada's attempt to take our entertainment industry. They do so with a unique combination; On the one hand, they won't allow our product on their stations because they want to defend their cultural sovereignty -- or so they say.

But at the same time, they're happy to make -- to get tax incentives for American-content movies to be made there for the American market -- many of which have strictly U.S. themes. I think one of them was, "The

President's  
Wife." Another one was, "The Texas Rangers." It wasn't "The Prime  
Minister's  
Wife." It wasn't "The Calgary Rangers." There were no mounties in any of  
these  
films.

And perhaps our -- Mr. Salesin can comment on the -- the efforts of  
Canada to  
restrict U.S. products while at the same time entice American producers  
to make  
American-content product in their -- in their country.

SALESIN: Your -- your problem is a bigger one than what just my industry  
deals with. You're talking about television, you're talking about film...

SHERMAN: Right.

SALESIN: I don't...

SHERMAN: I realize -- I'm talking about your cousins, not about your  
own...

(CROSSTALK)

SALESIN: Right. But -- and -- and I don't fault the Canadians for  
trying to  
create an impressive software industry, if in fact they're trying to do  
it.

But I think what's important here is that we are a huge part of the  
American  
economy -- a huge part of the export economy, and we need the support of  
the  
government to try to protect that in the foreign countries.

So I think you've hit a very good point. I just don't know the  
specifics of  
that tax issue.

SHERMAN: This is going to shock the committee. I've run out of  
questions.

ROS-LEHTINEN: Well, thank you so much for your expert testimony. We look  
forward to hearing more about the bill from Mr. Menendez.

And thank you so much for your patience today.

This committee is now adjourned.

END

NOTES:

Unknown - Indicates speaker unknown.  
Inaudible - Could not make out what was being said.

off mike - Indicates could not make out what was being said.

LANGUAGE: ENGLISH

PERSON: ILEANA ROS-LEHTINEN (73%); KEVIN BRADY (56%); DANA  
ROHRBACHER (55%); RICHARD M BURR (54%); ROBERT MENENDEZ (54%); EARL F  
HILLIARD (53%); PAT DANNER (53%);

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94 of 142 DOCUMENTS

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October 10, 1999, Sunday ,City Edition

SECTION: FOCUS; Pg. E1

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HEADLINE: no longer for Republicans only;  
School vouchers win new favor;  
CAMPAIGN 2000;  
Scot Lehigh is the Globe's Focus writer.

BYLINE: By Scot Lehigh, Globe Staff

BODY:

Want to see the dilemma school vouchers present for the Democratic establishment? Ask Al Gore why, given the growing minority-community support for the idea, he's against letting parents use public dollars for private schools.

"If the choice were between a continued gradualism [ in school improvement] and radical departures like vouchers, then I might throw my hand in with them, just out of a feeling that we can't lose another generation and so throw the kitchen sink at it," the vice president says.

So would Gore then stipulate that if public education hasn't made marked improvements in, say, five years - more than another high school generation - he would support vouchers?

"I am not going to give up on public schools or give you a date . . . because I am not going to surrender," Gore replies.

In other words, lip service aside, Gore's hypothetical is a demand without a deadline, a someday that will likely never come.

Still, his reply demonstrates the political crosscurrents on vouchers, a policy proposal rapidly making the transition from conservative nostrum to mainstream acceptability.

The idea is simple. Not only do vouchers empower parents and pupils, but by injecting competition into the system, they can do more to stimulate improvement in the public schools than any top-down government edict has done so far.

Because of the conservative origin of the idea - economist Milton Friedman first offered it in the 1950s as a way to apply market principles to education - the political left has traditionally treated the proposal as though it were radioactive.

Undergirding Democratic establishment opposition is the fact that vouchers are anathema to the teachers unions; the two largest - the National Education Association and the American Federation of Teachers - endorsed Gore last week. And vouchers represent one more victory for privatization, at the cost of a public institution.

But at the same time, the idea is increasingly popular with black and Latino voters, whose children are disproportionately trapped in underperforming urban schools.

Vouchers' appeal among minority voters is one reason vouchers have finally arrived on the public agenda as a realistic policy proposal. And arrive they have.

Under Governor Jeb Bush, Florida this year enacted a voucher plan for pupils in its worst schools. Milwaukee has had a voucher plan since 1990 for low-income students, and has included religious schools since 1995; Ohio passed a voucher program for Cleveland in 1995; in 1998, Congress passed - and President Clinton vetoed - vouchers for the District of Columbia. In New Mexico, Governor Gary Johnson, a Republican, has made enacting a voucher program such a priority he's attracted international attention.

"Light bulbs are going off," declares Johnson. "People are talking about this issue everywhere."

More impetus has come from the private sector. Since 1992, 69 private programs have sprung up across the country, providing \$275 million in voucher scholarships for more than 100,000 schoolchildren.

But the market test of any idea is a political campaign, and it's there one can best see the growing appeal.

The most aggressive proposal has come from John McCain, the Arizona senator

running for the GOP presidential nomination, who has called for a three-year, \$ 5.4 billion demonstration project to provide 1 million vouchers for economically disadvantaged children.

"It is obviously something that has gained popularity and support within the inner city," said McCain. "The indications are that they work, and that's why I'm saying we ought to have a test voucher program."

Among McCain's Republican rivals, Texas Governor George W. Bush last month said he favored letting disadvantaged students in poorly performing schools use federal Title 1 money for private-school tuition. Last week, he proposed allowing states to use as much as \$2 billion in federal block grants for voucher programs and for establishing tax-free accounts that could be used for private-school tuition.

Publisher Steve Forbes is a strong advocate of vouchers, and former Cabinet secretary Elizabeth Dole, like Bush, wants to give states the option of using federal dollars for such programs.

But vouchers aren't just for Republicans anymore. Bill Bradley, the former New Jersey senator challenging Gore for the Democratic presidential nomination, has supported vouchers in the past as a way to give poor children an alternative to particularly dangerous, drug-ridden schools.

And despite news reports that he's backed off that support, Bradley, in a recent Globe interview, said he hadn't abandoned the idea. The key issue for Bradley is whether the resulting competition improves the public schools; to that end, he's watching the programs in Milwaukee and Cleveland closely.

"I am not going to eliminate any possible thing that I can do to improve the public schools," says Bradley, who says he would emulate Franklin D. Roosevelt's model of selective policy experimentation. "When I am president, I am going to try this, I am going to try that, but we are going to improve urban public schools," Bradley said.

Bradley's position reflects a growing mainstream interest. In July, The Atlantic Monthly argued that the access, equity, and individual choice that vouchers offer make them an important idea for progressives. And in the Oct. 4 New Republic, Paul Peterson, a government professor at Harvard, makes a liberal case for vouchers, saying that fears schools would "cherry pick" the best students simply haven't been borne out in the much-watched private voucher program offered to low-income children in San Antonio's Edgewood School District.

Nor have other dire predictions of disaster been born out.

If vouchers haven't proved a cure-all, most reviews of the Milwaukee and Cleveland programs have recorded widespread parental satisfaction. And of the five big studies done so far of those programs, "all but one finds significant positive effects on academic performance," says Jay Greene, an assistant professor of government at the University of Texas at Austin, who has worked on several of those evaluations.

As for the effect on the public schools - Bradley's test - there's growing evidence that voucher competition in Milwaukee, Cleveland, and even in Florida's incipient program has pushed the public schools to do better.

McCain says he has seen the same result from the competition charter schools have brought to Arizona.

So why, among the serious candidates, is Gore the lone holdout on vouchers?

In his visit to the Globe last week, Gore cited these concerns: Vouchers would drain money from the public schools; private schools lack sufficient capacity to replace the public schools; private academies wouldn't take poor children; vouchers would pay for "only a fraction" of tuition and would exclude those with special needs or disabilities.

The last is a real (though hardly insuperable) concern. But voucher supporters answer each of the others with convincing counterarguments. To wit: The threat of losing public dollars is essential to creating competition; the aim isn't to replace public schools but to foster improvement through competition, though private-school capacity would increase as demand grew.

And far from excluding low-income students, the Cleveland and Milwaukee programs, as well as the Bush and McCain proposals, target that very population.

Finally, vouchers would be inadequate only if one hopes to attend elite boarding schools like Groton or Middlesex or St. Albans.

"If you look at the figures published by the federal government itself, on average, private school costs half as much as public school per year," says Andrew Coulson, author of "Market Education." For 1996, for example, the average private school tuition was \$3,116, compared with an average per pupil cost of \$6,653 in the public schools.

The real issue is the one Steve Wollmer, spokesman for the National Education Association, identifies: Any realistic voucher program must rely heavily on religious schools.

"If you take religious schools out of the equation, we don't even have the discussion," says Wollmer, whose organization opposes vouchers. "So what this is really about is whether we are going to use public dollars to fund religious schools."

That's exactly right: It's the religious schools that make a voucher system work. So should public dollars go for religious schools? On the constitutional question, there's some expectation the US Supreme Court may take up vouchers this term.

But proponents point to powerful policy parallels.

"As long as resources are put in the hands of parents rather than schools directly, I don't see any difference between taking a voucher to a private high school and taking a Pell Grant to Boston College," says Jim Peyser, chairman of the Massachusetts Board of Education. (That said, the stricter Massachusetts state Constitution would clearly have to be changed to allow use of state dollars for such a program.) Perhaps the best way to think about the question may be to return to Al Gore's rhetorical choice. It's been 16 years since the Reagan administration's blue-ribbon commission issued its famous report, "A Nation at Risk," declaring that America faced "a rising tide of mediocrity that threatens our very future as a nation and as a people."

Since then, only an optimist would say the nation's schools have made even the gradual progress Gore says could finally drive him to vouchers. As for urban schools, well, the latest National Assessment of Educational Progress revealed that, at best, only 40 percent of urban students had reached a basic level of achievement in reading, math, and science.

It is against such a reality that voters have to judge Gore's claim that the nation is poised for "dramatic" school improvement - the kind that would make vouchers unnecessary.

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95 of 142 DOCUMENTS

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OCTOBER 6, 1999, WEDNESDAY

SECTION: MAJOR LEADER SPECIAL TRANSCRIPT

LENGTH: 6051 words

HEADLINE: NATIONAL PRESS CLUB NEWSMAKER LUNCHEON WITH  
SOUTH AFRICAN ARCHBISHOP DESMOND TUTU,  
CHAIRMAN, SOUTH AFRICAN TRUTH AND RECONCILIATION COMMISSION  
NATIONAL PRESS CLUB,  
WASHINGTON, DC

BODY:

MR. LIPMAN: Good afternoon, and welcome to the National Press Club. My name is Larry Lipman. I am the president of the National Press Club, and Washington Correspondent for the Palm Beach Post in the Cox Newspapers Bureau. I would like to welcome club members and guests in the audience today, as well as those of you watching on C-SPAN or listening to this program on National Public Radio. Before introducing our head table, I would like to remind our members of some upcoming speakers. On Tuesday, October 12th, David Thomas, CEO and founder of Wendy's, will discuss the Dave Thomas Foundation. On Monday, October 25th, we will hear from Felix Rohatyn, the U.S. ambassador to France. And on Friday, October 29th, we'll hear from General James Jones, the commandant of the U.S. Marine Corps. Press Club members may access transcripts and audio files of our luncheons at our website: npc.press.org; non-members may purchase audio and videotapes by calling 1-888-343-1940. If you have questions for our speaker, please write them on the cards provided at your table, pass them up, and I will ask as many as time permits. I would now like to introduce our head table guests and ask them to stand briefly while their names are called. All of our head table guests, except those invited by the speaker, are members of the National Press Club. Please hold your applause until all head table guests have been introduced. From your right, Lawrence Goodrich (ph), Christian Science Monitor. Maria Mann (ph), photo director, North America, Agence France Press. George Watson, senior contributing editor, ABC News. Uhan (ph) Hopesfelt (ph), Washington bureau chief, Afrikans (ph) Daily Newspapers. Her Excellency Shelia Susulu (ph), the ambassador of the Republic of South Africa. Leah Tutu, wife of our speaker. Ken Eskey, chairman of the National Press Club's Speakers Committee. Skipping our speaker for a moment, David Anderson, the United States Department of Housing and Urban Development and Member of the Speakers Committee responsible for organizing today's luncheon. Christy (ph) Five (ph), senior producer, CNN. Dinah (ph) Bates, associate editor, Ebony and Jet Magazines. Pablo Sanchez, producer-correspondent, Univision News. And David Storey (ph), national security editor, Reuters. I would also like to recognize in our audience today a group of students from Malone College in Canton, Ohio. Welcome to the National Press Club. When he addressed the National Press Club 11 years ago, the Most Reverend Desmond Tutu stood in righteous opposition to the white apartheid government in South Africa. His acts of courage and defiance were many. He met with the leadership of the then-outlawed African National Congress. He demanded freedom for the imprisoned Nelson Mandela. He called for crisis talks with Prime Minister P.W. Botha, and he harshly criticized the Reagan administration for not doing enough to bring true democracy to South Africa. Many times he placed his life in jeopardy by calming angry crowds in South Africa's black townships, by challenging the authorities to account for the black youths who died or disappeared while in police custody, and by rescuing black men from certain death at the hands of a violent mob who had accused him of collaborating with the South African government. That was then. Now, Desmond Tutu is the Archbishop Emeritus of Capetown, South Africa, and the Robert Woodruff Visiting Professor of Theology at Emory University in Atlanta Georgia. And since 1995, he has chaired South Africa's Truth and Reconciliation Commission. The commission heard shocking testimony from assassins and bombers employed by the apartheid regime, which directly implicated Botha as well as police commissioners who admitted to the use of extensive torture, cover-ups, disinformation, and killing of prisoners in police

custody.

Archbishop Tutu was born in Kirtsdorf (ph) in the Transvaal of South Africa.

He received a teacher's diploma from Bantu Normal College and a bachelors degree

in theology from the University of South Africa. He later received a bachelor of divinity with honors and a masters in theology from King's College in London.

After serving the Anglican Church as a priest for 15 years, he was named Bishop

of Lesotho in 1976, a post he held until his selection as Bishop of Johannesburg

in 1985. The following year, he became the Archbishop of Capetown.

Archbishop Tutu is the recipient of innumerable awards, honors, honorary degrees, including the Order of Meritorious Service award presented by President

Mandela, the Martin Luther King Jr. Non-violent Peace Prize, and the prestigious Nobel Peace Prize.

Today, Archbishop Tutu continues to challenge the moral conscience of America

by suggesting that South Africa receive the same kind of financial support as

Israel, and by obtaining, with the help of former president Jimmy Carter, Coretta Scott King and others, clemency for imprisoned Puerto Rican nationalists. Archbishop Tutu also has proposed that the United States

convene its own Truth and Reconciliation Commission to deal with the legacy of our 250

years of slavery.

Ladies and gentlemen, please join me in a warm National Press Club welcome for

Archbishop Desmond Tutu.

BISHOP TUTU: Mr. President, ladies and gentlemen, thank you very much for the

honor of addressing this prestigious forum. As I grow older, I discover that I

am increasingly repetitive, so you've been warned. (Laughter.) I tell the same

jokes, and sometimes now discover that I miss the punch line. (Laughter.)

And sort of talking about growing old, I had a school named after me in The

Netherlands, which is not the important part of the story. The school was celebrating its 400th anniversary, and my wife and I went to the school

on that occasion, and when we arrived, a little girl came up to me and said, "Were you

here when the school started?" (Laughter.)

Just a few short ten years ago, if you had the question, "Quida (ph)

South Africa?" "Quo vadis (ph) South Africa?" almost everybody would have

declared

categorically that South Africa was for the birds, that we were destined for

partition, that the most awful catastrophe was about to overwhelm us. But as

sure as anything, we were going to have a bloodbath happen in South Africa. And

it seemed that those dire predictions were about to be fulfilled on the eve of

our historic elections in April of 1994, because violence became endemic. And

when they gave you the daily statistics of those who had been killed in the last

24 hours, things had got so bad that when they said six or seven people have

been killed, we actually sighed with relief and said, "Well, only six, only

seven."

Well, those predictions were not fulfilled.

The disaster did not strike us. Instead, the world watched in something of awe

and amazement as those long lines of South Africans patiently snaked their way

to the polling booths. And of course, the world, and their -- (inaudible) -- if

they had not gone to Pretoria themselves, were all glued to their television

sets as they watched the inauguration in May of 1994 of Nelson Mandela as the

first democratically elected president of this new, this democratic, free South

Africa.

Someone, on that occasion, was heard to say to his wife, "Darling, don't wake

me. I like this dream." For what was happening, this miracle unfolding before

the very eyes of the world were the stuff of which dreams are made. And the

world watched a man who had been in jail for 27 years emerge, not riddled with

bitterness and anger and a desire for revenge, but becoming an icon of magnanimity and reconciliation.

It was a spectacular victory over the awfulness of apartheid. And I have said

this many, many times, but it does bear repetition every time, it is a victory

which we would not have been able to accomplish on our own without the assistance of the international community. And you of the media, helped

because  
you told our story. You helped the world to know that we are not  
wild-eyed,  
blood-thirsty, terrorists seeking to drive white people into the sea, but  
that  
we were passionately, deeply patriotic, loving this incredible country of  
ours,  
and seeking the liberation not just of black people, but the liberation  
of all,  
black and white, those I was to describe as the rainbow people of God.  
And it  
is a tremendous privilege for me to be able to come to places such as  
this where  
we were asking for help, and say you gave us the help. It's accomplished  
the  
goal for which we started. We are free. We are democratic. We are  
seeking to  
be non- sexist, non-racial.  
And on behalf of millions and millions and millions of my fellow South  
Africans  
to be able to say a very, very heartfelt thank you, thank you, thank  
you. Thank  
you, all of you, for having enabled us to accomplish this incredible  
victory.  
Well, when the bloodbath -- (inaudible) -- overwhelm us the way those  
who said,  
"Oh, just wait. Once a black-led government is in place, as sure as  
anything  
you will see an orgy of retribution and vengeance when these black people  
are  
going to take it out on all of these whites who for so long enjoyed some  
of the  
most incredible privileges at their expense." That didn't happen either.  
For  
instead of this, the world again was amazed that we had this remarkable  
process  
of the Truth and Reconciliation Commission, when people who had suffered  
grievously, whom you could have said had a divine right to be angry and  
filled  
with a lust for revenge, came and told their stories, and too frequently,  
you  
wanted to take off your shoes because you said, "I'm standing on holy  
ground,  
when someone would say, I want to meet the perpetrator and I want to  
forgive  
him, and I hope he forgives me." And the world looked at this and saw us  
presided over by this incredible terrorist prisoner-become-president, now  
and  
icon for the whole world of magnanimity, of generosity of spirit, of a  
willingness to forgive. (Laughs.) You may -- then the prophets of doom  
said --  
(laughs) -- "We give them six months. Heh!" (Laughter.) The six months  
passed.  
"No, no, we give them a year. And then the whole thing is going to  
implode and  
unravel." (Laughs.)  
It's five years since our last election, and wonder of wonders, we have  
had a  
second election! And we now have another brand-new precedent. The  
transition  
has been wonderfully smooth. The greatest achievement has been the  
remarkable  
stability of South Africa.  
Yes, there is crime and unemployment at very high levels. And yet, when  
you  
compare South Africa to what is happening in say Russia, Kosovo, Bosnia,  
Northern Ireland, you have to say: "What's happened there?" And you have  
to give  
South Africans credit. You have to give those black, those white, those  
Indian,  
those colored South Africans, credit for having accomplished something  
the world  
had not believed.  
Our banks work. (Laughter.) And so far, we haven't discovered that  
there has  
been laundering of funds. (Laughter.) (Applause.) Our telephones work.  
Our  
trains arrive more or less on time. (Laughter.) You can fly into  
Transvaal.  
Yes, there is a high level of crime, of unemployment.  
There is even -- even -- corruption, a legacy of the last dispensation.  
And  
unfortunately, there are those of the new dispensation who have succumbed  
to the  
temptation and are themselves corrupt. But it is not being tolerated.  
There is  
a corruption unit headed by a judge, which has made a lot of people  
uncomfortable.  
And there is little chance of repression, to a regression to  
undemocratic ways.  
Because, you know, we have one of the most liberal constitutions in the  
world.  
It outlaws all sorts of discrimination: discrimination based on race, on  
gender,  
on disability, on age, on sexual orientation. It's as inclusive as you  
would  
ever have thought it to be.  
And you say "Well, yes, it's a piece of paper on which" -- but we've  
also get a  
constitutional court, which has shown that it has got teeth in its very

short  
life. For it has found even against the government.

We have a human rights commission. We have a gender commission. We have a youth  
commission. We have a public protector, who is there to be a watchdog  
against

the excesses of bureaucracy and officialdom.  
We have a vibrant civil society that fought against apartheid, which is  
not  
going to lie down when this new lot begin to think that they might  
actually be  
beyond the law. We have freedom of speech. The freedom of the press is a  
jealously guarded thing in our country.

Now, some people said "Well, what's going to happen when Mandela  
leaves," which  
is really code for "When he leaves, we believe everything is going to  
unravel.

They are not going to be committed to reconciliation."  
No, no, no, no. That is entirely untrue. The new president was actually  
running the government when Nelson Mandela was -- not in a pejorative  
sense --  
the figurehead president who was seeking to enfold this disparate lot  
that was

South Africa. And so he has become de jure what he was de facto.  
Yes, he's not flamboyant. He's actually quite British -- (laughter) --  
in his

understatedness. He doesn't wear these gaudy shirts Nelson Mandela  
wears. He  
tends to wear ties and suits. But in fact, you know, he is a brilliant  
economist. A newspaper was praising him with the headline, "The

Butt-Kicking  
No-Nonsense President." Now, I don't know what "butt-kicking" means, but  
--

(laughter) -- but he is committed as anybody ever was to reconciliation.  
He addressed a very exclusive male chauvinist African organization, the  
African

Bund (ph). And after being there, they opened up their membership to  
everybody.

He has been to see the Springbok rugby team before a crucial match. He's  
worn,

as his predecessor, a Springbok jersey -- which, in South Africa, is a  
spectacular, very, very affirming, conciliatory gesture. And so don't  
doubt

that he is and his whole cabinet is committed to reconciliation.  
Our economy is not doing too badly. Interest rates have been reduced,  
foreign

exchange controls are lifted, and there is privatization happening.

Inflation  
has been reduced from double-digit figures to single-digit figures.

We're not  
doing -- I mean, I don't want to be trumpeting some of the things that  
we've

done. We have a horrendous legacy -- apartheid. Huge backlogs in  
housing, et  
cetera, et cetera.

But we've also launched some quite remarkable achievements. The  
government

said at the beginning of 1994, we wanted to build a million houses.  
They've not

done that. They've built -- they've achieved 70 percent of that. They've  
provided clean water. Now, for you who can turn a tap, that's nothing.

For our  
people, that's an incredible achievement, where women would have had to  
walk

long distances to go and get -- (inaudible) -- and clean and pure water.  
We've

got AIDS. But we're seeking to move on.

Europe after World War II was devastated. And the world of victors  
produced a  
Marshall Plan to help Europe back on its feet. We have been devastated by  
apartheid. We haven't had a similar plan.

The United States, quite rightly, believes that Israel is important for  
the  
world's moral health after the Holocaust, and so the United States gives  
Israel  
three and a half billion every year. And I support that. I support it  
heartily.

But I'm saying it is important for South Africa to succeed. The late  
Senator  
Church, when he was chairperson of the Foreign Relations Committee, said the  
reason why we in the United States must be worried about South Africa is  
that if  
race wars break out in South Africa, they're going to have a horrendous  
effect  
on race relations in this country.

South Africa is critical for the sake of the health of the world. And I  
want to  
suggest -- and I hope you will help me -- I want to suggest that your  
government

-- they have a record surplus. How about giving us -- (laughter) --  
giving

South Africa \$2 billion for the next five years, to help us back onto our  
feet

-- to be these people who will show the world it is actually possible for  
people

of different races to live amicably together? That people who have had a conflict- filled past can actually resolve it.

For the sake of Kosovo, for the sake of Northern Ireland. Because God wants

South Africa to succeed. And don't you want to help God? (Laughter.) (Sustained applause.) Thank you. Thank you.

MR. LIPMAN: Mr. Archbishop, where did the concept of the Truth and Reconciliation Commission come from? And would you please discuss its impact on ordinary citizens?

BISHOP TUTU: It was an idea that in fact emanated from the ANC. But they already began looking at post-apartheid South Africa. And it is actually a

remarkable thing, because they had already established commissions to look at violations within the liberation movement.

Some people have said "Nuremburg trials is the way you should go." Our country

said "No." Others said "Follow the example of Pinochet: Forgive yourselves with

a general amnesty." We said "No, we will go the route of individual amnesty in

exchange for the truth."

What has been the impact? A blind young man comes to tell his story. He was

blinded by police, who shot at him and other people. He comes and he tells his

story. And at the end, someone asks, "How do you feel?" He says "You have given

me back my eyes."

And people have listened to some remarkable things. An Afrikaner father, whose

son was killed by an ANC bomb -- and you'd have thought he was going to be angry. And he said to us in the Commission, "If I am angry, I am angry at the

old government, because I believe," he said, "that my son's death has contributed to the transition that is happening."

And you sit there, and you say "God, what an incredible privilege you have

given us." But there have been those who have said, you know, "This is a witch

hunt against white people, and so forth." And we say you are wrong, you are only

those people aren't aware of just how fortunate you are.

It is something that seeks to contribute to the healing of a traumatized, a

fragmented, a wounded people. We are all wounded, and we need to be healed.

And the Commission is something that says we make a contribution. But every

South African must be involved in seeking to work for reconciliation.

MR. LIPMAN: Have the former presidents who led the apartheid governments generally supported or opposed the work of the Commission?

BISHOP TUTU: Well of course, they supported the new act that brought the Commission into place, because it was something that was provided for in the

Interim Constitution. But most of them had wanted what can be called "having to

have by-gones be by-gones." And we said to them "You know, no one has a -- (inaudible) -- by which they can say 'By-gones, be gone!' and it is gone.

They have an incredible capacity to return and haunt us."

I went to Nuremburg when they were celebrating the 50th anniversary of the

Nuremburg trials, and we were part of a BBC panel discussing the legacy of Nuremburg in the very room in which the trial had been held.

And I went to nearby Dachau, which, as you know, was a concentration camp. And

they have a museum. And over the entrance of the museum, are those haunting

words from Santayana: "Those who forget the past, are doomed to repeat it."

MR. LIPMAN: You have called for a Truth and Reconciliation Commission here in

the United States. But I believe in an interview with the Atlanta Constitution

last year, you mentioned that one of the results of your commission has been an

increase in anger and divisiveness between the races. Do you believe that a

Truth and Reconciliation Commission would be a positive or a negative impact on

U.S. race relations?

BISHOP TUTU: I hope you don't have to set me up as an oracle who says "Do this," and sort of pontificate about how you resolve your problems.

Because one of the things that annoyed us most in South Africa was having someone

come from outside of South Africa and be an instant expert on how we should resolve our

problems. It's just a suggestion. (Laughter.) It is a suggestion that says

"You probably need to go the route of having people tell their story."

Of course, when there is a truth emerging, it doesn't immediately lead to reconciliation. I mean, when a mother discovers that "My child was

abducted and then shot in the head, and they burned his body, and then they gave out

that my son skipped the country," which mother -- which normal mother -- would say

"Hurrah! I want to support reconciliation!" Most mothers would say "What a

dastardly deed:" And yet, afterwards, we asked one of them who had wept because she saw her son killed by the police, and then dragged as if he was a dog by a piece of string, and she threw her shoes at the police at the particular hearing. Afterwards, we say "What do you want to be done with those police?" She says "I don't want them to go to jail. I don't want them to go to jail. I hope that they can become people who will do something useful in our country."

And so, of course it's painful to listen to truth. So, what do you want to do? Paper over the cracks? There's no way in which you would have a relationship -- where the husband and wife quarrel, and they don't find out what is at the bottom of this quarrel, and the husband comes along with his flowers. Or in the old days chocolates -- (laughter) -- and tries to pretend that everything is, as they say, "hunky-dory," it's going to explode at some other point.

Yes, truth can in fact be divisive. (Laughs.) Just read -- those of you who are Christians -- just read the Gospel of St. John, that when Jesus comes into a situation, the author says it is a crisis, a judgment. You have to choose sides. You have to choose sides.

MR. LIPMAN: What was the most shocking testimony that the Commission heard?

BISHOP TUTU: Everything was horrible. (Laughs.) Everything was horrible. But what I told you now, of the mother who for several years had been told that -- well, first of all, her son is detained; and he is poisoned in detention, and he comes home, he is lame. And his hair is falling out. When his mother came to testify, she says "I don't know where my son is. All I have" -- and she had a clump of hair with bits of his scalp attached.

And the police had said "Oh, he's in exile." And then she learned that they abducted him, shot him and burned his body. And then, as they were burning the body, because it takes about seven or eight hours for a body to burn, they were having a barbecue. They had two sets of flesh burning: human flesh and cow

flesh. And you say "Have we sunk so low?" And that's of course not the only truth about us, because the Commission made me realize yes, we have an incredible capacity for evil; but we also have an incredible capacity for good. (Applause.) We are remarkable people. We are made for goodness. We are made for the transcendent. We are made for family. We are made for gentleness and compassion and caring.

And after staring into the abyss of evil, the paradox is: I come away and say we are on the eve of a new millennium. And the thing about us, human beings, is that we're good. We're good. We're created by a God who is good. We're created to be like that God. And ultimately, we're created for -- (inaudible) -- this finite thing, is made for the infinite. Only God can ultimately satisfy

us. That's the incredible thing about all of us. MR. LIPMAN: That leads into some questions we have which are faith-based questions. And let me see if I can combine some of these. How has apartheid and

its after-effects impacted contemporary Christianity in South Africa? And how do you think the Commission relates to Jesus' model of reconciliation in the New Testament?

BISHOP TUTU: Well, one of the things you learn very, very quickly is that religion is not a good thing or a bad thing. It's neutral.

It can be good, it can be bad. There were Christians who supported the Nazis. There were Christians who supported apartheid. But there were Christians who

opposed it, and other members of other faiths who opposed it. And I have to say, as a Christian, I found it exhilarating, in many ways, to be involved in the struggle, because the Scriptures came alive in an incredible kind of way. The God who enters a fiery furnace -- our God is not a God who --

(laughs) -- who gives advice from a safe distance, and says "You guys, when you enter a fiery furnace, you ought to wear protective clothing." No, no, no. Our God enters the fiery furnace. And you could tell people suffering under the most brutal system, "Yes, yes, our God is here. Here. Here. He's not deaf, He's not deaf. He's not blind. He's not blind. He's not stupid. Our God is one who will come down, as God came down for the children of Israel. And He will come down and lift us out, all of us." It was great fun, in a way, because you were praying for us. You were praying for us.

And it was fun to be able to say to our people, "They've got guns, they've got all of these things, and they think, and they think, and they think they are running the show." You say to them, "No, no, no, no, no. This is God's world. God is in touch."

Of course, you sometimes wished to say to God "God, how about making it slightly more obvious that you're in charge?" (Laughter.)

MR. LIPMAN: The Truth and Reconciliation Commission denied amnesty to Janice Wallace (ph) and former Parliament member Clive D'Urby Lewis (ph), who were convicted for the murder of Chris Hani (ph), arguably the most popular black leader after Nelson Mandela. Since other assassins have been granted amnesty, how could the Commission have viewed Hani's (ph) murder as anything other than politically motivated? And in view of the rioting that followed his murder, didn't the Commission yield to public sentiment in denying amnesty to these killers?

BISHOP TUTU: I am not a lawyer, but I have to tell you that those people who used to get very upset with the Commission, saying it was encouraging immunity, soon discovered that in fact, there are very strict conditions to be satisfied. What you have come to apply for had to have happened between 1960 and 1994. But much the most important in a way was that it had to be politically motivated. And that was generally demonstrated by it being consistent with the policy of either the apartheid government or those opposing it. And then you had to make a full disclosure.

And what turned out -- I mean, I think in that particular case, was that they were not satisfied. It shouldn't be -- oh, I beg your pardon, yes, you didn't ask the question. (Laughter.) It didn't have to be that you had a particular anger against a particular person. It had to be something that would say "Look, here it is clear." And they were not the only ones who have been refused amnesty, you know. I mean, the Amnesty Committee is made up of judges and lawyers. And I'm glad I'm not them. Yes.

MR. LIPMAN: Tell us about the future of whites in South Africa.

BISHOP TUTU: We had a premier of one of our provinces, something like your state and governor. And his name -- well, he was black. And he said "You know, when you talk about race relations and you talk about something that hurts blacks, you are hitting at me," he said. "And when you talk about colors in South Africa, those of mixed race and origin," he says, "they're talking about my children," because his wife was white. "If they're talking about whites, they're talking about me." And he was high up in the echelons of the ANC. White. No, we are hoping that there will come this day when we will say "We are South African," and race and ethnicity become the irrelevance that they should be -- that you are valued for who you are. We are already doing that, you know, because we weren't say we are working for the liberation of black people. We were saying we were working for the liberation of whites. No. They thought that was a slogan.

And then, when freedom came, South African whites were amazed. In the past, they had to scurry around overseas because they didn't want people to know they came from South Africa. Nowadays, they will wear on their lapel the South African flag. They put it on their luggage, so everybody must know they come from that country.

They are our compatriots. There are good white people, there are bad black people. There are good black people, and there are bad whites. And they all just happen to be human beings. That's all, That's all. (Applause.)

MR. LIPMAN: You asked the United States Congress for \$2 billion. What has the rest of the world done to help South Africa financially?

ARCHBISHOP TUTU: I don't actually know the statistics, but I am now speaking here, in the United States -- (laughter) -- and appealing, very seriously, to the leader of the world, for, to those who are finding difficulty, in a sense sorting out what they want to do with their surplus, and I'm saying -- share, is

a wonderful, wonderful investment. And it's not being facetious. It is saying that there are not too many success stories around the world. And here is a chance to help a country become a vibrant economy. Vibrant economy -- what does that mean to you? It means that you are going to be able to have a vigorous market. You can trade.

And the spin-off from a successful, prosperous South Africa is something that we can't contain within South Africa. If South Africa sinks, the subcontinent is going to sink. If South Africa -- no, no, let's say -- When South Africa prospers, South Africa is going to be, and is already, the engine driving the economy not just of our subregion, but of the continent. And it's not being idealistic. It is just saying that for the sake, really, for the sake of all of these reasons.

I mean, in January I was in Tel Aviv and Jerusalem. I was in Dublin and Belfast in November. It was really interesting. Almost every where people want to hear the story of what South Africa seems to have accomplished, and it gave people hope. It gave people hope because it is saying, yes, they are an unlikely lot. I mean, who in their right sense could ever have imagined South Africa being an example of anything but the most ghastly awfulness. And God says, "Precisely. Precisely. They are an unlikely lot, but look at them. They had a nightmare. Apartheid is ending. Your nightmare, Bosnia, Kosovo, East Timor, Somalia, Burundi, Rwanda, Cambodia -- everywhere. Your nightmare will end. They had a problem that people thought was -- (inaudible) -- no where anymore in the world will they be able to say we have an -- (inaudible) -- problem.

So, it is saying for all of these reasons. It may be the best example of self-interest. It would be wonderful to give this leg up to South Africa.

MR. LIPMAN: You mentioned Israel and the problems in Ireland and elsewhere. Do you think the Truth and Reconciliation Commission can or should be a model for reconciliation in other countries? And if so, what are the components that need to be in place before it can actually work?

ARCHBISHOP TUTU: We've been very careful, as I said before, not to appear to know all -- (inaudible) -- the infallible formula. But I have been to these countries, and it is they who are saying that it's something we can learn. The prime minister of Cambodia writes to me and says, "Do you think you can help us?" It is that in a way, you certainly need to have a leadership that is prepared to take risks. And you then need for people to realize that those who are your opponents cool it. I mean, cool the language that you are using against them because they are potential friends, and you may regret your extreme language about them. When our government, after 1994, became a government of national unity, the people who sat together as a government, were people who had been at each other's throats. F.W. de Klerk had been one of those who had kept Nelson Mandela in jail. He ended up being a deputy president, and they had to sit together -- those who had been formerly enemies, now becoming, or trying to become friends.

And all one is saying is "How about giving peace a chance?"

MR. LIPMAN: What are your thoughts about U.S. policy running the sale of AIDS drugs in South Africa, and your reaction to Vice President Gore's threat against South Africa, if it uses, if it allows the production of generic AIDS drugs?

ARCHBISHOP TUTU: That was the old position. The new position has changed, of course, as you know, I mean, that they've agreed that South Africa can try to find more affordable remedies for AIDS because, I mean, we are now talking about a disaster, and we can't afford treatments that cost \$1,000 a month, \$12,000 a year. We've got to find something that is affordable. And we are so thrilled that the administration has suggested this 100 million injections, and we're thankful for those pharmaceutical companies that have produced a fair degree of funds which they are saying they are putting into South Africa. And on behalf

of our people, we just want to say again, thank you for that. A little more?

MR. LIPMAN: We've got a few more minutes, yes.

ARCHBISHOP TUTU: Oh, okay.

MR. LIPMAN: You mentioned crime during your

MR. LIPMAN: You mentioned crime during your speech as a major problem in South

Africa. How is the government addressing this problem? And how is the religious community reacting to the crime?

ARCHBISHOP TUTU: Let me answer the second part first. The religious communities, faith communities -- because we are not just Christians -- are

saying that we need to begin addressing the whole question of moral values.

because what happened during the struggle against apartheid affected the moral

ethos of our country. And we've got to be talking about reverence for life, and

respect for law, because it was part of the strategy of fighting against apartheid to say, "make it ungovernable." After all the an unjust law morally,

an unjust law does not oblige obedience. It is a great moral obligation not to

obey an unjust law. We've got to help lift (?) up this new respect for moral

values. The government -- let me say first of all that our police force was not

a normal police force under apartheid. It wasn't a crime detection, crime prevention. They didn't have to worry. If somebody was troublesome, you detained him without trial. And, the police were prosecutor and judge in their

own case, so they didn't learn how to be vigorous in finding evidence. And then

they were riddled with corruption. They're trying, first of all, to change the

whole structure of the police. They are, their attitudes and just how they will

operate. They have established a national office of the national prosecutor, so

that we can have people who are concentrating on trying to reduce that level,

but we won't be able to reduce that level if unemployment remains at a high

level as well. That is why this old former "Mr. Sanctions" is now saying he

wants to be "Mr. Investment," because we do need to get the economy growing so

that it can reduce the level of unemployment.

MR. LIPMAN: Archbishop, before we get to the last question, I have a certificate of appreciation for you.

ARCHBISHOP TUTU: Thank you.

MR. LIPMAN: And the highly coveted National Press Club mug -- (laughter)

--

ARCHBISHOP TUTU: Thank you very much. Yes.

MR. LIPMAN: It's not the Nobel Peace Prize, but we like it.

ARCHBISHOP TUTU: It's very nice. (Laughter.)

MR. LIPMAN: And our final question for you is how do you feel about women becoming Episcopal priests?

ARCHBISHOP TUTU: I am so glad that happened. Fantastic. Fantastic.

Women are

wonderful. Wonderful. (Laughter and applause.)

MR. LIPMAN: Archbishop Tutu, and Mrs. Tutu, I would like to thank you for coming today.

I would also like to thank National Press Club staff members Leigh Ann Macklin,

Pat Nelson, Melanie Abdo Dermott and Howard Rothman for organizing today's

lunch. Also, thanks to the National Press Club Library for their research.

We're adjourned.

END

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CHAPTER 1

QUAYLE BACK IN THE GAME

In the Huntington North High School gym, fireworks thundered and spewed cascades of white sparks. Red, white and blue balloons bobbed overhead. Frisbees swooped through the air.

Five thousand people, many of them students pumped up by over-amped music,

were roaring and gyrating.

Dan Quayle took the stage, waving at the crowd, and was inundated by applause and thumping chants of "Q2K, Q2K" - shorthand for his election to the presidency in the year 2000. It was good to be back in the small Indiana town where he had spent much of his youth, though those days were long behind him.

The mileage of 52 years showed in various ways. His kewpie-doll good looks were leavened by wiry gray streaks in his strawberry blond hair. His strikingly blue eyes were set off by taut wrinkles. His 5-foot-10, 175-pound frame still pulsed with energy, but that energy at times was checked by wariness.

After a seven-year exile from Washington power circles, Quayle was looking to return. The man who a few years before had been the comic icon of American politics - painted as a bumbler, as fluff drifting in the political winds - was grabbing for gravitas and scrambling for the highest office in the land.

Quayle thought he had a message to proclaim and a real shot at the presidency. And it's true, his story drew together many themes of late Twentieth Century in America: the Vietnam War, the struggle of morality vs. pragmatism, the cross-pollination of politics and entertainment.

But, for all the important events Quayle had been immersed and the important offices he had held, he had often come across as a bit player in modern history, a man acted upon rather than a major actor.

For one who wanted to play the largest role the United States has to offer, he at times had shown a curious disinclination to plunge into the raging issues of his time.

As a college student, he had been politically uninvolved. As a young man, he chose the National Guard over possible service in Vietnam. As a member of the U.S. House of Representatives, he had made it a point to steer clear of the most controversial topics. He had shown up well as a senator, but as vice president, he had become better known for his verbal miscues than for sterling work.

An avid golfer and a congenial companion, Quayle took a golf jock's approach to public life - more enthusiastic about political strategies than about policy discussions.

Even so, political realities sometimes eluded him.

"He doesn't see what may be apparent to other people," asserted longtime Indiana newsman Mike Dooley.

Quayle had grown into a far harder worker and a better student of modern history than he often was given credit for. But many who liked his positions

still had a hard time seeing him as president.

But on April 14 in Huntington, he was on his game, doing his best to make a virtue out of being drubbed almost to political death by the media.

"The question in life is not whether you get knocked down. You will," he said. "The question is are you ready to get back up . . . and fight for what you believe in. And I am."

Quayle, of course, was also fighting to revive his political career, to escape spending the rest of his life being an ex-vice president of the United States.

"People say, 'Why is he running?'" political scientist Richard Fenno commented later. "I say it's because every Thursday, he had lunch with George

Bush. And when you have lunch with the President of the United States every

Thursday, pretty soon you look around and say, 'Hell, I can do this, I can do this job.' I think he's got it in his blood, and he has to get it out."

In his kick-off rally, Quayle was certainly giving it his all. He and his

staff had produced a rip-roaring scene alive with celebrity and color.

The signs said "Q2K," "Family Value (sic)," "Christians for Quayle."

The celebrities were champion race-car driver Eddie Cheever Jr. and former pro quarterback Jim McMahon. The music issued from a brass band out of Harlem.

The chemistry was working, and with Quayle spinning out his announcement on the stage, the excitement didn't abate.

His voice strong, his hand whacking at the air, he called for a 30 percent

tax cut and snapped that President Bill Clinton and Vice President Al Gore had

set the tone for a "dishonest decade." He laid the lash to liberals who "will say that people who believe in the sanctity of life are fanatics . . .

and that people who believe in patriotism are old-fashioned."

Though he'd had mixed success improvising in the past, now he was taking

chances.

Among other things, he called for education reform, inserting a self-deprecating quip about his widely publicized failure to note the misspelling of "potatooe" on a flashcard at a New Jersey school. There should be no more fuzzy math, "where 4 plus 3 feels like seven," he told the crowd.

"No more creative spelling. I've tried that. It doesn't work."

He recalled how he was lambasted in 1992 for criticizing the television character Murphy Brown for having a child out of wedlock. At the time, critics

felt he was taking a jab at alternative lifestyles. Not so, said Quayle.

"The point I made is that raising a child is not just a mother's responsibility, it's a father's responsibility," he told the crowd. And his message has stood the test of time, he asserted: "Remember, Murphy Brown is

gone, and I'm still here fighting for. . ."

It wasn't clear what Quayle was still fighting for, since the rest of the sentence was swept under by a tsunami of applause.

In any case, he wasn't facing an easy fight. In mid-April, Quayle was scuffling around low in the second tier of candidates for the Republican nomination, as he would be in Iowa four months later. Texas Gov. George W. Bush, the son of the president Quayle served under, was riding roughshod over

everybody else in the polls and trumping them in raising money.

Even in Indiana, Quayle had lost some key Republican backers to Bush.

The odds against Quayle were so long that he recalled a legend, memorialized in the film Hoosiers, to put some heart into his campaign.

In basketball-mad Indiana, there is no fonder memory than that of tiny Milan High School and its basketball team's 1954 victory over far bigger schools to win the state championship.

"They worked hard," Quayle said of the players. "They worked together. They were determined. They won, and I will win."

Another avalanche of applause and cheers.

Dan Quayle was back. He had been working quietly, burnishing his credentials, building up his organization, strengthening bonds with Republicans across the country. Now he was in for it. Now he would have to go

out and face the tiger.

CHAPTER 2

A LOW-KEY APPROACH TO REBUILDING REPUTATION

In 1993, Quayle was planning how to handle life outside the White House, since he and President George Bush had been drubbed in the latest presidential

election by Bill Clinton and Al Gore.

Looking for advice, Quayle visited former President Richard Nixon and asked

him the best path back to power, targeting the presidency.

According to the ex-president's political confidant, Monica Crowley, Nixon

urged Quayle to try to land another significant political office.

"I told him to consider running for the Senate or for governor in Arizona," Nixon told Crowley. "He said some were urging him to do it. I

told him, 'Run.' He said he'll be accused of being a carpetbagger, but I said, 'No

way. Reagan wasn't born in California. It's no big deal. Very few Arizonans

were born there.' "

Nixon, however, didn't think Quayle could position himself for a presidential run in the next election.

"He knows he's too damaged to run in '96," Nixon said. "He's got guts and heart, but he's just not considered heavy enough for the top job."

Despite his gloomy tone, Nixon seemed to leave open the possibility that

Quayle might build himself into a viable presidential candidate.

In the years to follow, Quayle worked to do so, but he didn't take Nixon's

advice on how to proceed.

Instead, he chose a low-key route -- a multipronged effort to rebuild himself politically and personally.

His book Standing Firm came out in 1994, telling his side of the story

of the 1988 presidential campaign and of his time as vice president. In it, Quayle made the case that he'd gotten a bad rap from the press and that

he was a leader of substance.

The book, edited by his wife Marilyn, was a bestseller. He also wrote another work meant to demonstrate his grasp of social realities: The

American

Family: Discovering Values That Make Us Strong. For a while, too, he wrote a

newspaper column.

In 1996, Quayle and his wife relocated from Indianapolis to Arizona to

be close to Quayle's aging parents in Wickenburg, and he took charge of

Campaign America, a fund-raising organization for Republican candidates nationwide.

They bought a \$1.2 million Territorial-style home in Finisterre, a

gated community in Paradise Valley. Soon after, it became a typical Quayle

bastion -- TV sets blaring sports events, golf bags wedged into various niches,

Quayle sharpening his game on a grade-A chipping green/sand bunker/putting green

in the back designed by Marilyn, who has a love of tools and a handyman's

eye for

detail.

But they made only a modest impact on the Phoenix scene, focusing their time, as usual, on family.

Quayle's media adviser, Fred Davis, said Quayle's closest friends are his wife and his children, Tucker, Ben and Corinne.

"The Quayle household is sort of the most wholesome place on earth," Davis said. "It's like My Three Sons."

The Quayles worshipped regularly at Scottsdale Bible Church and showed their faith in other ways.

"When his family eats dinner, they hold hands and say a prayer," noted family friend Philip Edlund, a Phoenix attorney. "You don't see that so much any more."

Quayle loved hiking, playing tennis and golf, flipping burgers on the patio and chatting excitedly about golf and fast cars. (During Campaign 2000, Quayle's face would light up when Davis treated him to a head-snapping surge of power from Davis' Porsche).

Occasionally, Quayle would have a glass of wine or a beer, but the freewheeling college days, when he'd been arrested for underage drinking, were far behind him. Even so, he still enjoyed good-natured humor.

"He doesn't tell the off-color jokes, but he can manage to laugh at them," Edlund said. "Sometimes he's stuck listening to a joke he'd just as soon not hear. He's a pretty straight-arrow guy, but still fun."

When lounging around, Quayle preferred casual clothing that sometimes included plaid Bermuda shorts or loafers worn without socks -- fashion statements his wife deplored.

But the Quayles didn't have a lot of time for loafing. Marilyn commuted to

Indianapolis, where she was still a partner with the law firm of Krieg, DeVault, Alexander and Capehart. She also chaired the national disaster services and communications committee for the Salvation Army and served on the group's local board.

Quayle was often on the road, raising millions for candidates and cementing connections with party members across the country. Or he was across town, polishing his intellectual credentials by teaching a course in global politics at Thunderbird, the American Graduate School of International Management in Glendale.

One of his former Thunderbird students, Teh-han P. Chow, gave Quayle a favorable review.

"Professor Quayle could best be described as a combination of approachable, down-to-earth, intelligent and a great listener," said Chow, now sales and marketing manager for China for the J. R. Simplot Co. "I think that he learned as much from us as we did from him."

Teaching wasn't Quayle's main source of income, though. More substantial sources were boosting his bank account.

Quayle's net worth had hovered around \$850,000 when he was vice president, though some wild press estimates had put it at hundreds of times that amount.

By 1999, he had total assets of \$3.2 million to \$6.4 million, according to a report filed with the Federal Election Commission.

He'd been reaping speaking and writing fees, consulting money from an Indiana coal company and fees for sitting on corporate boards, including --

-- until he started his presidential run -- the board of Central Newspapers Inc., the corporation that owns The Arizona Republic. The worth of his Class A stock in CNI was growing to more than \$1 million.

Among other enterprises, he had formed and later sold Circle Investors Inc., a business that catered to the financial needs of baby boomers.

Had his concentration on scholarly and business activities given him the best launching pad for a presidential campaign?

Some political observers thought not.

Paul Charles Light, author of Vice-Presidential Power, almost echoed Nixon in faulting Quayle's strategy.

"Probably the best thing Dan Quayle could have done after 1992 was to go back to Indiana, run for the Senate, run for the governorship, and get back on

track," said Light. "He didn't. He decided to stay out and kind of burnish himself, try to rebuild himself. It's been a long time since Dan Quayle cast a

vote or made a decision, and in a sense, that's a problem for him."

Instead, Quayle was placing his faith in his own certitude about his mission, his guts and staying power.

Indeed, he did have a record of standing up for what he believed, though he often was selective in picking his fights.

In the Senate, he had bucked the inertia of the Reagan Administration to push through a job-training bill.

Under President Bush, Quayle had once incurred his boss's displeasure by speaking out more toughly on the Soviet Union's aggressive tendencies than Bush would have liked.

Quayle also had been steadfast in taking on TV character Murphy Brown

(played by Candice Bergen) -- saying her celebration of her single motherhood was setting an irresponsible example.

At times, Quayle's approach had gotten wide recognition. In April 1993, Atlantic Monthly had published an article on the destructive breakdown of the family and headlined it, famously, "Dan Quayle was Right."

Quayle took this kind of thing as a theme-setter. America had gone to hell in a handbasket, and now it was time to turn to the guy who had been right all along: him. Right on cutting taxes. Right on education. Right on family values.

Not every citizen saw things that way. How else to explain the fact that Clinton could cavort with White House intern Monica Lewinsky, be impeached, and still enjoy job-approval ratings that would make Santa Claus blush?

Could it be that the citizens didn't care about morality because the economy was growing by leaps and bounds?

Was this the same reason they didn't react when Quayle raised the subject of tax cuts?

Or why they weren't swayed by Quayle's foreign-policy expertise, which he often underlined by noting he had visited 47 foreign countries when he was vice president?

In any case, Quayle continued to lag badly in the national polls as April wore on, and the media wouldn't let him forget the past.

Less than two weeks after Quayle's energetic announcement in Huntington, he appeared on the CNN program Crossfire, co-hosted by Bill Press, a silver-haired liberal with a wrath-of-God interviewing style, and by Mike Murphy, a balding, easygoing conservative.

Quayle did well early on, when the questions were about issues. But after the break, Press and Murphy began, in effect, asking Quayle why he was even in the race. Press had gotten the ball rolling with his teaser before the break.

"When we come back," he intoned, "is he Dan Quayle or Don Quixote running for president? Is he dreaming the impossible dream?"

Soon the co-hosts were saying Republicans thought Quayle was a loser. Murphy invited Quayle to counter that perception, and Quayle did his best, recalling the long odds he'd beaten when he'd landed seats in the House and Senate, predicting victory now because "I have got the agenda, the ideas, the experience." But the thumping was far from over.

Press waved a clipping of the comic strip Doonesbury that depicted Quayle as a feather giving a radio interview. On the wall behind the feather were campaign signs that read, Quayle in 2000, Not That Dumb; Vote Quayle. Less Stupid Than You Think.

"The radio announcer sort of says that what you've got to do is convince people that you have more intellectual firepower than most believe you have."

Press noted, "and you're shown as a feather, which is a not-too-subtle way of saying a lightweight. Dan Quayle, what is it about you that generates that kind of ridicule over and over and over again?"

It was obvious, Quayle replied. Members of "the elite" were after him again. When he stood up for his convictions, the snooty media types didn't like that. But that was OK. Out in the coffee shops, on the farms and in the schools, the real folks in America liked him and his message.

"And the more the elite . . . comes after me, the more people out there say, 'You know what? He's fighting for us. He's fighting for our values, he's fighting for our families. He's a fighter.' "

In fact, Quayle said, getting satirized and jeered at was a good sign. It meant the elite class was afraid he had a real shot at becoming president of the United States.

"They don't attack people unless they have a good chance of winning," he said.

At this point, the polls told a different story. Murphy cited a poll in the Wall Street Journal showing 19 percent of Republican primary voters were saying they would never support Quayle, the worst rating for any candidate in the race except for Pat Buchanan.

However, in summing up Quayle's situation, Murphy gave him the benefit of the doubt.

Quayle - a hard charger on the golf course -- had often gotten points for his competitiveness, and Murphy cited that quality now.

"He's a fighter. He doesn't apologize," Murphy noted. "He can take a punch and keep coming . . . Long way to go, but I don't rule him out."

A nagging question remained, however -- the lingering belief that Quayle might be unelectable.

He would have to prove that that impression was wrong, that he was now the

kind of candidate and the kind of person who could inspire confidence among the electorate.

Commenting on Quayle's challenge, Stephen W. Hess, a presidential scholar

at the Brookings Institution in Washington, D.C., was blunt.

"He has been out of the public eye," Hess said. "I'm sure he's been in the eye of Republican activists, a certain group of fund-raisers and apparatchiks and so forth, but in general it's as if he's frozen in ice or something. Now we have to chip him out of the ice and find out if he's any different than he was when he was quick-frozen."

CHAPTER 3

ORDINARY, ALBEIT PRIVILEGED, CHILDHOOD

Down the road from Huntington, Ind., movie star James Dean played point guard for the Fairmount High School basketball team in the late 1940s.

Films

like *Giant* and *Rebel Without a Cause*, which Dean starred in before his death

in a 1955 car crash, made him a legendary portrayal of rebellious,

troubled

youth.

That image couldn't have been less fitting for Dan Quayle, who grew up in

two stages in Huntington between 1949 and 1965 (with an interlude in Arizona)

and is remembered primarily for being nice, good-looking and ordinary.

James Danforth Quayle was born on Feb. 4, 1947, in Indianapolis and was named after Captain James Danforth, a friend of his father who had been

killed

in World War II.

At the time Dan Quayle was born, his father Jim, a big, bluff ex-Marine with a bulldog tattooed on his right forearm, was advertising manager and sports editor for the *Lebanon (Ind.) Reporter*, northwest of Indianapolis.

Quayle's mother, Corinne, was a descendant of the Pulliam newspaper empire.

run by Quayle's cigar-chewing grandfather, Eugene C. Pulliam.

Twenty months after Quayle was born, his family moved to Huntington, where

his father worked for the *Huntington Herald-Press* until Dan was 8.

The family then relocated to Arizona, where Jim Quayle worked as public relations director for the Pulliam-owned *Arizona Republic* and *Phoenix Gazette*.

By that time, Dan had a younger brother, Christopher.

In 1988, when he was selected as the vice-presidential candidate, reporters

assumed that because of the overall Pulliam family wealth, Dan Quayle grew up

as a rich kid in a cushy environment.

What they didn't note was that the Pulliams did not live large, that they

were more concerned with work than play and that Dan Quayle's family in particular didn't have access to rivers of cash.

That's not to say that young Dan Quayle didn't live comfortably, but he did

not live ostentatiously.

Alan McMahan, who was the Republican Party chairman in Fort Wayne, Ind.,

for many years, said the Quayles were well-off but didn't make a point of it.

"Things came easy for Danny," McMahan said. "Corinne and Jim are very casual people. (They) lived very casually, though they had money. Their

home

was kind of disorganized . . . but they had enough that Danny didn't have to

do too much."

There was a worrisome period when Quayle was 10. His father had a serious

type of lupus, a disease of the skin and mucus membranes.

The Quayles recently had adopted twins, Michael and Martha, who were only a

year old. Quayle recalled that he changed their diapers and cooked for the family during the two years his father was being treated.

During the time he spent in Arizona, Quayle began a lifelong love affair

with golf.

His family's house backed onto the Paradise Valley Country Club golf course, and Quayle would watch the golfers from a window of the home.

Among other schools, Quayle attended Kiva Elementary School, where he proved to be a congenial youth -- so highly thought of that he was elected president of his fifth-grade class.

Peter LaPrade, who golfed and attended school with Quayle, later said Quayle "had a kind of charisma that attracted people to him."

During this period, Dan Quayle's love of golf blended with the beginnings

of his passion for politics. At the age of 12 or 13, he followed and watched

as his grandfather played nine holes of golf with Dwight D. Eisenhower.

Later, Quayle rejoiced in the 1958 re-election of Sen. Barry Goldwater, R-Ariz., a friend of his grandfather, and took instruction from Eugene C.

Pulliam in the subtleties of politics. At 21, Quayle served as a driver for

Richard Nixon's campaign staffers at the 1968 Republican convention in Miami.

Quayle almost became a confirmed Southwesterner, enjoying the desert lifestyle and playing on the Scottsdale High School golf team.

But in his junior year, Quayle's father bought the *Huntington Herald-Press*

and the family returned to Indiana. Quayle was ambivalent about his father's

decision, but got along fine in Huntington.

The town on the flatlands of northern Indiana was a quiet place. Teenage males wore khakis and madras shirts to school -- always shirts with a collar -- and recreation consisted of golf, vacant-lot football, card-playing at somebody's home or cruising from the A&W Root Beer Stand at one end of town to Penguin Point restaurant at the other.

It was a good life for Quayle, but not cushy, said Taylor Cope, a Flossmoor, Ill., cardiologist and one of Quayle's high school friends.

"It was never like he was the rich kid or anything like that, driving the rich kid's car," said Cope, the son of a physician. "He drove his mother's car."

Neither was Quayle a layabout.

"He started working at the Herald-Press when he was 15, in the press room," his wife would later recall. "Lifting bales of newsprint and putting . . . the ink in the printers. He worked in the pressroom, the basement. He

spent his holidays and summers in the basement with all the union guys."

Other glimpses of Quayle's teenage life made it into an Indianapolis Monthly retrospective. Quayle did not write for his school paper, The Whisper, said Charles Hayden, Quayle's high school journalism instructor, but he had an

interest in the craft.

"Dan did seem to like to write," Hayden said. "He got an A in my class. But probably the only reason I remember him is because this is a small community. He was an average student, and you really don't remember much about

the average students."

Dan Quayle found at least some stimulation in political discussions.

"He was very enthusiastic about a lot of things, he held strong political

views, (and) we had debates in his kitchen," said Cope.

The debates would sometimes involve Quayle's father, a plainspoken man who was a member of the highly conservative John Birch Society and had no use for Democrats.

Mike Dooley, a veteran Indiana journalist who now works as a columnist for the Fort Wayne (Ind.) News-Sentinel, tells the tale of how Jim Quayle ran into an acquaintance the day President Harry Truman passed away.

"Jim, did you hear President Truman died?" the man asked.

The elder Quayle just looked at him and replied, "We finally got rid of the SOB."

Dan Quayle would never be as edgily conservative as his father. But the basic values his parents transmitted to him would form the core of his political philosophy.

Even so, Quayle took a very long time to translate his ideas into political

action, or even to broaden and deepen his ideas through study.

His college years would have been forgettable, except that -- as time went on -- he would not be allowed to forget.

#### CHAPTER 4

##### 'NOT MUCH OF A FORCE' IN COLLEGE

Dan Quayle's father and grandfather had gone to DePauw University, a small Methodist institution about 40 miles southwest of Indianapolis, so it wasn't surprising that Quayle himself wound up there. What was surprising, in light of his eventual rise to the vice-presidency, was how little impact he made.

In the late 1960s, DePauw was certainly not a hotbed of political activity like some other campuses torn apart by anti-Vietnam War protests. But its students tapped into their share of the social turmoil swirling in the country around them.

Quayle seemed untouched by all this. Despite his oft-voiced conservative views, he wasn't a visible member of any group speaking for or against the war, said Priscilla Black Duncan, a schoolmate of Quayle's who is now a lawyer in Montgomery, Ala.

"If there ever was a time to get involved in an issue, it was then, but he didn't," said Duncan.

In a column Duncan wrote for a Georgia newspaper in 1988, Elizabeth Ann Rodgers, a sorority president at DePauw during that period, expressed an equally unfavorable view.

"He was one of those arrogant, pretty blonds," Rodgers said.

John McWethy, a schoolmate of Quayle's who later served as a national security correspondent for ABC News, later recalled for the Indianapolis Monthly that the future vice president seemed lost in the crowd:

"Dan and I were classmates, but I didn't know him that well," McWethy said. "He was not much of a force on campus. The truth is, we hung around in

different circles. I was editor of the paper and very involved politically on campus, and he was not."

Quayle is best remembered as a member of Delta Kappa Epsilon fraternity ("the Dekes"), a sort of "Animal House" removed from the main campus, Duncan said.

Interestingly enough, in view of Quayle's once and future

conservatism, she described the Dekes as "rather hippified." If Quayle didn't smoke marijuana, he was probably able to get high from the secondhand smoke around the Deke house, she said. But even in those avant-garde times, the big drug on campus was alcohol, and the Dekes were reputed to be a hard-drinking lot. There's some evidence for this in the minutes of Deke meetings held during Quayle's period of membership. "Discussion was then held on the drinking problem," one entry relates. "Bro. Pontaine has become enraged over the drinking at the house dance last Friday night."

Quayle actually was part of Kappa Tau Kappa, the interfraternity council whose sole function was to raid frat houses for illegal alcohol consumption, but Duncan said the raids were "well advertised" and were a showy but hollow effort to control raucous tipping.

Though his family was well-off, Quayle was not above taking part-time jobs, his wife Marilyn later said. "He . . . had the laundry concession in college (at the Deke house) and waited tables," she said. "He had to earn all his own spending money." Quayle's waiter duties were carried out at the Kappa Kappa Gamma sorority, where he also worked as a pots-and-pans scrubber, wearing a big rubber apron.

Anne Kraege, a member of the sorority at that time, later told the Monthly that Quayle didn't strike anyone as being extremely wealthy or, for that matter, devastatingly appealing.

"Dan was good-looking and very nice, but I wouldn't say the girls were drooling over his picture," she said. "He wasn't one we were all dying to go out with. It may be because a lot of people didn't know him very well. He wasn't that involved on campus, so I don't know if he was known to a lot of people."

Quayle's greatest claim to attention on campus was his skill at golf. The golf coach then, Ted Katula Jr., would later describe Quayle as a "superb" golfer.

"He was one of our outstanding players," Katula said. "He was a good swinger and a good competitor and hit the ball long distances."

Mark Rolwing, one of Quayle's teammates and later a golf analyst for NBC Sports, informed the magazine that despite Quayle's natural talent, "I know he didn't work at his game particularly hard. It was probably like anything else he was doing in school at the time."

Rolwing, who was a frat brother of Quayle's, roomed with him for a short time.

"In a way, we almost missed the '60s," Rolwing said. "We were '50s guys. Rock and roll guys. We were beer drinkers, not pot smokers. We used to have the greatest parties at the Deke house. He was a fun guy to be at a party with. He was sort of a role model for me. I mean, here's this good-looking guy, the girls all liked him and he was a good golfer -- everything you wanted to be. At parties, he was the center of attention more often than not. He was a very popular guy. A party certainly wouldn't be as successful if Quayle wasn't there."

This hail-fellow-well-met attitude didn't impress Quayle's teachers, however.

"He really was mediocre," one of his former instructors told the magazine. "The recollection I have is of him sitting in my class, being indifferent to what I was saying, not showing up very faithfully, being remote and aloof and not plugged in. I remember talking about him with my colleagues and deliberating about his performance."

Quayle's poor academic performance became such an issue that eventually, during his term as vice president, he gave in to Washington Post reporters and discussed his grades.

He told the Post his "cumulative grade average" at DePauw was 2.16, a C, and that he got two D's there -- a record that the president of DePauw, at Quayle's request, confirmed for the newspaper.

Though Quayle's dullness in class is usually painted as simple intellectual indolence, at least one writer has theorized that Quayle avoided engagement on certain issues because he felt that pushing his viewpoint -- a conservative viewpoint -- would just cause trouble.

Keeping peace within his politically contentious family had been a priority with Quayle, writer Garry Wills concluded in 1990, after interviewing one of Quayle's DePauw professors, William Cavanaugh.

Cavanaugh described how frustrated he had been while trying to make a point with his student.

"I looked into those blue eyes, and I might as well have been looking out the window," Cavanaugh said.

Cavanaugh, Quayle's composition teacher, had taken a contrary position from his student in regard to the prose in Whittaker Chambers' Witness, an anti-communist book Willis described as being "a kind of Bible" in the Quayle family.

"Quayle's tactical incomprehension with Professor Cavanaugh may have been the response of one who knows where ideological conflict goes when it is pushed," Willis wrote.

In time, Quayle was to stake out clear ideological positions, but without losing the knack of giving them a political spin. His political instincts may well have been in the ascendancy during his college years, however. His power of persuasion certainly saved him from an embarrassing failure near the end of his time at DePauw.

In order to graduate with his political science degree, Quayle had to complete a course in political theory that was being taught at that time by professor Robert Calvert, and he had to pass a comprehensive exam.

He failed the exam, along with a fellow fraternity brother, but argued he should be allowed to take another test because he'd never covered political theory in his course work. He hadn't: he had dropped Calvert's course early on.

The head of the political science department allowed Quayle and his schoolmate to re-test, and Quayle passed. Quayle then was allowed to graduate, although he still hadn't completed the required course.

Calvert, who still teaches at DePauw, believes Quayle was not aided by family influence in this matter, but said recently the department head didn't do the right thing.

"It was illegitimate," Calvert said. "The rules were what they were."

Even so, the political science professor didn't see the point of rehashing the matter after more than three decades.

"Dan Quayle at this time was, my God, 19 or 20 years old," Calvert said.

"Whatever his capacities as a student then, he has been able, over and over, to demonstrate on the public record -- in Congress, in the Senate, as vice president and in his life since then -- all we need to know about whether he's

going to be fit to be president . . . I don't want my 30-year-old connection with this kid, which is what he was, to be any factor in today's politics."

#### CHAPTER 5

#### MANEUVERING INTO NATIONAL GUARD

When Dan Quayle got his bachelor's degree from DePauw University in 1969, the Vietnam War was a bloody, churning quagmire that many young American men were eager to avoid.

The year before, the U.S. troop level in Vietnam had peaked at 545,000, and now 200 to 400 Americans a week were dying there.

Views about service in the war, especially by those tapped to fight it, varied widely.

Some saw pitching in as a patriotic duty, while some saw it as cooperation with a degenerate war machine. Still others saw it as a risky way to way to spend time better spent preparing for a life building a solid bank account and a career track.

Other options offered themselves to those unwilling to go to Vietnam. One

was to head to Canada as a fugitive from justice. Another was to pray for a high number in the draft lottery.

A more practical way was to enlist in the National Guard. While some Guard units did see duty in Vietnam, they were few enough that most enlistees in the

Guard saw their spot as a get-out-of-battle-almost-free card.

This last option was the one Quayle chose. He entered the Guard on May 19, 1969, less than a week before he would have become eligible for the draft because of his graduation from DePauw. Later, Quayle's offhand statement that "phone calls were made" to get him in raised suspicions that his family had

twisted arms to get him a trip out of harm's way.

The truth was less spectacular. Yes, an employee of the Pulliam newspaper chain had smoothed Quayle's path into the Guard, but an investigation by the Washington Post showed no other recruit was pushed aside to get him in.

In fact, the unit he originally joined, the Headquarters and Detachment in Indianapolis, was understrength when Quayle joined, and there was no waiting list.

Still, a bit of maneuvering went into Quayle's entry.

Quayle's parents had told his maternal uncle, Eugene S. Pulliam, then assistant publisher of the Indianapolis News, that Quayle wanted to get into the Guard so he could complete his service requirement and go to law school.

Pulliam consulted with Wendell Phillippi, then the paper's managing editor, who was a former commanding general of the Guard.

Phillippi interviewed Quayle and called a colonel in the Guard to tell him

a good recruit was coming over. It was the type of routine referral Phillippi

made for a number of young men over the years, according to Phillippi.

Getting into the Guard in those days was no doubt far easier for someone

with Quayle's family and background than it was for a Black urban teenager.

But Quayle's contemporaries did not necessarily fault him for going the route he did.

One of them was Mike Dooley, now a columnist for the Fort Wayne (Ind.) News-Sentinel, who finished a stint in the U.S. Coast Guard in 1969.

"I considered anybody who took advantage of an opportunity to go into the

National Guard and stay the hell out of (Vietnam) a wiser and better man," Dooley said recently.

Quayle, of course, was not alone among future politicians in seeking a place in the National Guard.

Notable was the future governor of Texas, George W. Bush. In 1968, the year

before Quayle entered the Guard, Bush was welcomed into the Air National Guard

and trained as a pilot despite getting a marginal score on a pilot aptitude

test.

Bush would manage to deflect questions about this in the summer of 1999,

when he was turning into the battering-ram candidate for the Republican nomination for President.

A decade earlier, Quayle was politically bloodied over his decision -- damage that would contribute to the continuing view, in some minds, that he

was unelectable as a candidate for President.

Quayle's entry into the Guard, however, was interesting in another way. The way he dealt with it showed a pragmatic streak that would be

evident later in his political career.

He was, after all, a conservative and the son of an anti-Communist -- characteristics that seemingly would have given him a willingness to fight in

a war ostensibly aimed at driving Communists out of Southeast Asia.

He would later say he didn't support the war because American strategy had

made it a "no-win" conflict. But his feelings may have been more complex.

Years later, according to a former Democratic congressman from Pennsylvania, Quayle "made some comment to the effect that he wasn't

entirely supportive of the war, that he didn't feel that strongly, or didn't believe in

it completely, something to that effect."

The congressman, Donald A. Bailey, was quoted in the Indianapolis Star as

saying that Quayle -- then a U.S. senator -- made the assertion to him while

both were on their way to Germany for a meeting about national defense.

To Bailey, a highly decorated combat veteran of the war who supported its

aims, Quayle said simply, "I rode it out in the National Guard."

Perhaps Quayle had mixed feelings about his choice, based on the way the

statement came out.

"You know, the way it was said, in my view, I'm not so sure it wasn't almost a feeling, or a tone of regret, or something," Bailey told the

Star.

At the time he served, it certainly appeared that Quayle was taking a hard

line, at least conversationally, on the war.

His commanding officer in the Guard, Sam Graves, later a broadcast news director, told the Indianapolis Monthly:

"He was one of the guys, but he took himself very seriously. In spite of

his looks, he had a very serious streak. He was much more conservative than

the rest of us. We were all sitting around having a political discussion one

day, and one of us said, "I'd rather be Red than dead." Dan's eyes got this

intense blaze and he said, "I'd rather be dead than Red anytime." I do know

he talked generally about how he would have gone to Vietnam if he had been called."

In the Guard, Quayle's service followed the pattern he had set earlier in

high school and college.

He was a genial, pleasant compatriot, but not necessarily a distinguished

performer.

As part of the 120th Public Information Detachment, to which he was transferred seven months after entering the Guard, he wrote press

releases,  
helped publish Guard newsletters, and turned out feature stories of  
interest  
to Guard members for the Indiana National Guardsman, a quarterly magazine.  
The magazine earned national awards, but soldiers who served with

Quayle  
couldn't remember much about his specific contributions.  
On a military journalism test given in the course of his service, he  
scored  
below average, logging 56 points -- 19 points below the average score of  
75 --  
and scoring "low" in five of seven categories.

But Quayle's life wasn't standing still during his six years in the  
Guard.  
He entered Indiana University law school in 1970 through a program that  
tried  
to pick students who would excel despite poor grades as undergraduates.  
Though sometimes characterized as an affirmative-action program aimed  
at  
helping disadvantaged Black applicants, the professor who set it up said  
that  
wasn't his intention.

Charles Kelso, a former professor at the law school, said in 1988 that  
he  
designed the program as a research project to try to see if he could  
identify  
factors other than undergraduate grades and law school admission tests  
that  
could predict who would do well in law school.  
Kelso said he used about 15 different criteria in making his  
selections.

"The 15 criteria did not include how wealthy is your daddy," Kelso  
said.  
Kelso said he didn't recall Quayle's application, but that Quayle might  
have gotten a boost from the fact that DePauw had an excellent reputation  
and  
from his experience working at an entry-level job in the state attorney  
general's office.

In any case, law school was to be a life-changing experience for  
Quayle,  
though in a somewhat oblique way.  
His grades were still shabby, though somewhat better than they had  
been at  
DePauw. He later said he achieved a 2.74 grade-point average in law  
school, a  
B-minus average, while getting a D in one class. The school confirmed the  
recollection.

More important, during these years, Quayle was being exposed to  
politics  
and state government in a practical way.  
He worked for the Consumer Protection Division of the Indiana Attorney  
General's Office as an administrative assistant to the governor and as  
director of the Indiana Inheritance Tax Division.

Perhaps even more important, he met and married Marilyn Tucker, an  
intense,  
sharply intelligent fellow student at the law school and the daughter of  
two  
physicians.

They married only 10 weeks after they met in 1972. By that time, she  
would  
later tell the Washington Post, he had come to terms with adulthood and  
had  
decided to make some responsible choices about his life.

"If I'd met him in college, I never, ever would have gone out with  
him,"  
she said.

The match worked from the beginning, and soon both were cooperating in  
an  
enterprise that would consume much of their adult lives -- national  
politics.

#### CHAPTER 6 YOUTH, GOOD LOOKS AN ASSET EARLY ON

Exactly how calculating Quayle was in launching his political career is  
hard

to say. Apparently, he was kicking around the idea in law school.  
Quayle's fellow law student, Frank Pope, has described how Quayle was  
inspired when he and Pope went to see a movie called The Man, in which  
James  
Earl Jones played the role of a Speaker of the U.S. House who, through  
happenstance, becomes the first Black president.

After they saw The Man, Pope said, he and Quayle mapped out a strategy  
for  
Quayle to win the governorship of Indiana by leaving Indianapolis right  
after  
graduation, getting elected to some office, and offering himself as "a  
young  
Republican winner" to contrast with the older members of the party.

In any case, opportunity met a certain amount of preparation in 1976,  
when  
Quayle was 29.

It came in the form of an offer from Orvas Beers, the Allen County  
Republican chairman, who served with Quayle on the board of directors at  
the  
Fort Wayne, Ind., Press Club.

The election was approaching that year, and the Republicans had no one  
to  
run against longtime Congressman J. Edward Roush. At a luncheon meeting  
of the  
press club, Beers remarked, "The more I look at Danny, the better he  
looks."

Afterward, Beers asked Quayle to consider taking on Roush. Quayle, who at the time was associate publisher of his father's newspaper, the Huntington Herald-Press, agreed, but only after Beers assured him he wouldn't have any

real competition in the primary and that he'd get the money to run. The Republicans delivered on both promises and in the end raised \$100,000

locally and nationally for Quayle's campaign. In a candidate's questionnaire filed with The Indianapolis News, Quayle provided an awkward reply to the question, "Briefly, why are you seeking the office?"

His answer: "To change to (sic) present direction of our big and unresponsive government."

Asked, "Campaign issues?" he replied, "spending."

Few, including Quayle's father, gave him a chance against Roush, a Democrat who had been in Congress for 16 years and was well regarded. Still, the toughness of the race may have been exaggerated.

University of Rochester political scientist Richard F. Fenno Jr., who followed Quayle around for years and wrote a book called The Making of a Senator: Dan Quayle, said Quayle was a formidable campaigner but not "a miracle worker."

Fenno said the district, despite Roush's long incumbency, was marginal. Others say Roush was looking old and tired. Quayle, in contrast, looked even younger than he was. That could be both good and bad for a candidate. Alan McMahan, the city Republican chairman in Fort Wayne for many years, recalled that at one point

Quayle was out campaigning on a farm wearing khaki pants and an open-necked shirt with no tie.

"I said, 'Don't ever go out looking like that again,'" McMahan said,

"'You look like you're about 16 years old and nobody is going to vote for a 16-year-old. Stick to the suit.'"

Quayle's looks were more often his friend than his enemy, however.

Beers recalls a campaign stop at the Holiday Inn at Fort Wayne, when Quayle was walking through the crowd. Beers heard a woman say, "I think I'm in love," then, shortly afterward, "I know I'm in love."

Reactions like that caused Beers to tell other campaign leaders Quayle was sure to win. What makes you so certain, they asked?

"I said, 'All the women in the area are in love with him. The old ones want to mother him, the little ones want to tag along behind him, and the others want to (romance) him.'"

Quayle's attractiveness came across as wholesome, according to Fenno.

"He seems particularly effective at one-on-one campaigning," Fenno wrote. "He likes to touch the person he talks to; he looks at each one he talks to

and brightens as he does so; he uses a lot of body language to convey surprise, or interest or enthusiasm or dismay.

"With men, he has a habit of shaking hands while punching them on the arm or clapping them on the shoulder with his left hand. If he is talking to two people at once, he often places one hand on the shoulder each person as they converse. "With women, he has the habit of clasping their right hand in both

of his as he listens. Among women he knows, he will put an arm around them.

"But he does not kiss them. Given his attractiveness, I was struck by the easygoing way he approaches women, without the slightest intimation of sexuality.

"And he never talks about women as such in private -- never joining in, for example, when the subject absorbs the conversation of his young male staffers . . . Quayle carries his good looks as a silent asset, conveying the message that the keys to his success must lie elsewhere."

Quayle the campaigner also drew on youthful energy and volunteer organization, Fenno noted.

Quayle and his wife set up their own grass-roots operation, calling on housewives and young people, and Quayle campaigned at coffee klatches, 18 county fairs and 32 parades.

"He loved to campaign in bowling alleys," Beers said. "I think he liked the blue-collar people and liked to shake their hands. He would mingle with

the people, he was good at that. My thinking was, Dan wasn't rich, his grandfather was rich, his parents were rich, but he wasn't rich."

Quayle ran on issues preached by New Right proponents -- opposition to abortion, to the Equal Rights Amendment, to gun control, to Big Government and

to heavy taxes, spending and regulation.

But many of those positions jelled because of his wife's involvement, said Walter Helmke, a Fort Wayne attorney who once served as a state senator. Helmke said Marilyn Quayle played a large role in her husband's campaign, including helping him take stands on social issues.

"Dan didn't have any hard-set views on the issue of abortion (for instance)," Helmke said, "but Marilyn did. Marilyn urged Dan to adopt a strong pro-life position. Dan may have thought about it, but I don't think it

had formulated in his mind as much as Marilyn's."

In fact, Marilyn Quayle got involved in her husband's first political

struggle to the point of ranking some of the old-time politicians around her.

Others saw her as strong and smart. She also complemented her husband, McMahan said.

"I think he is a little disorganized," McMahan said. "His wife is the organized person. She's got a very disciplined mind, and I'm not sure Danny does. People are drawn to Danny, so things come easily to him, and that can make you a little indifferent."

The Quayles abandoned tradition in approaching the race. They opened a Quayle-for-Congress office separate from the Republican Party headquarters and, with an eye toward Jimmy Carter's success in winning the presidency with an "outsider" campaign, decided to take the same approach.

"I ran a somewhat populist campaign," Quayle later told The Washington Post. "Washington's wrong. Anti-busing, anti-welfare, anti-big government. I was saying a lot of things Carter was saying, but saying them as a Republican."

In a shocker, Quayle trounced Roush by 19,000 votes, giving him 55 percent of the vote to Roush's 45 percent.

At the age of 29, Quayle had jumped into the U.S. House of Representatives,

but almost no one, including people who later defended him, considered him a bang-up member.

Observers say this was just one more reason why he was dismissed so lightly by the media when he was picked as George Bush's vice presidential running mate.

In the House, Quayle was focused less on the work at hand than on stepping up to a more significant office.

To further that end, he worked hard at maintaining ties to his district, going home often, traveling the district, taking phone calls directly from his constituents.

And he kept attacking the country's leaders in Washington, D.C.,

almost as if he weren't one himself. "I'm awed by the lack of real dynamism in the House," he told a National Journal writer. "To be quite blunt about it, I'm

not impressed with the overall caliber of members of the House."

In 1978, Quayle ran as the Republican incumbent and defeated Democratic attorney John Walda, getting 66 percent of the vote.

If anything, he seemed to be lowering the caliber, according to Fenno's findings. Playing basketball in the House gym and hitting the golf links occupied prominent spots on his agenda.

"Among staffers and (media) scorekeepers alike, his devotion to his workaday duties was suspect," Fenno wrote. "People called him 'wethhead' because he was always coming out of the (House) gym."

Quayle protested to Fenno that his attendance record was "well above average" -- 90 percent for the first two years in the House and 85 percent overall.

But the Washington media noted that Quayle had missed 10 of 14 Small Business Committee meetings during one period and 41 of 61 meetings of the Foreign Affairs Committee during another.

One Indiana colleague said the only positive spin you could put on that was

that it was part of Quayle's game plan to avoid controversy.

Another, Fenno reported, didn't bother to give Quayle the benefit of the doubt, saying, "He's personable, he's handsome, he's fun to be around and he's about a quarter of an inch deep."

#### CHAPTER 7

##### PRAGMATIC 'COMER' MATURES POLITICALLY

In 1980, Quayle won another race in which no one gave him a chance, knocking

off popular Democratic Sen. Birch Bayh by linking him and the Democratic leadership in the Congress to the poor economy.

Over the next eight years in the Senate, Quayle surprised practically everyone by turning from a lackadaisical legislator into an effective, clever one.

Looking back recently, several Quayle observers said he never got sufficient credit for his accomplishments during this period.

"I thought he very likely might have become a leader inside the Senate in

time," said Fenno. "I saw him as a very energetic, very pragmatic legislator

. . . I saw him as a comer. He started with zero experience and was gradually

building up inside the Senate."

Stephen W. Hess, a presidential scholar at the Brookings Institution in Washington, D.C., seconded that view.

"He had not been a particularly good House member, but when he went into

the Senate he involved himself in a number of issues that were not sort of grandstand, showboating issues, (but) that he cared deeply about and worked

hard at. And the public had a right to know that."

By the time Quayle's stint in the Senate ended, Hess said, he rated Quayle

as being in the top third of the Senate.

Longtime political reporter and columnist Walter Mears -- now an Associated

Press executive -- recently remarked that had Quayle stayed in the Senate, he might well have risen to majority leader. Why, then, have Quayle's accomplishments in the Senate been neglected? Hess faults Washington reporters for going along with the attacks on Quayle

after he was picked for the vice president slot in 1988. "I think he was quite a good U.S. senator, and I think the congressional press corps knew that, and I blame them for allowing the (incompetent) image of coming to the fore in 1988, sort of keeping that a secret." But the explanation is more complex than that, bound up with Quayle's lackluster first few years in Washington, the fact that he didn't socialize and schmooze with Washington reporters, and his failure to take credit for what he did, either through lack of ego or poor political instincts.

Quayle did not seem to mature very quickly in Congress. Even after having done a stint in the House, Quayle was still taking a gee-whiz approach to politics.

Fenno, after returning from a September campaign trip with Quayle in the race against Bayh, had noted that Quayle wasn't an ideologue but did seem to be "just a kid" without any profound awareness of the world. Fenno wondered whether it was possible for Quayle to grow.

At this point, Washington insiders tended to be doubtful, Fenno noted. A piece by Elizabeth Bumiller in the Jan. 11, 1981, Washington Post titled "The Charmed Life of Indiana's Golden Boy," described Quayle as a strawberry-blond, blue-eyed, cute guy to whom "everything came easily," who was "a lazy and ineffectual congressman" but a "dream candidate."

This image wasn't helped in March of that year when a story broke that on a golfing weekend in Florida, Quayle, two House colleagues and three other men had shared a house with Paula Parkinson, a Washington lobbyist who later posed nude for Playboy. Parkinson said Quayle propositioned her while they were dancing at a restaurant in Palm Beach, but she turned him down.

The potential scandal was defused when a tart-tongued Marilyn Quayle scored with a zinger: "Anybody who knows Dan Quayle knows he would rather play golf than have sex any day."

In fact, reporters dug out the fact that Parkinson was in fact gambling with another member of the group during the trip.

The fact that the story got as much play as it did may have been rooted, ironically, in Quayle's wholesome lifestyle, which kept him off the social circuit and prevented the press from knowing him very well.

In the Senate, in particular, Quayle spent his off-time golfing or home with his wife and kids, not making nice with reporters.

When he was working, he was finally taking his legislative work seriously.

Even so, he wasn't leaping into the big, thorny issues of the day. Shortly

after he had been elected, Quayle had told Fenno: "I know one committee I don't want -- Judiciary. They are going to be dealing with all those issues like abortion, busing, voting rights, prayers. I'm not interested in those issues, and I want to stay as far away from them as I can."

Nearly 20 years later, as he was running for President, Quayle would put a Christian spin on his views on abortion and prayer, but for much of Quayle's early political life in particular, Fenno described him as taking an arm's-length approach to the causes that juiced up Christian true believers, declining to join them in their emotionalism or extremism.

At one point during the campaign, one of Quayle's staffers called his attention to a billboard picturing a baby and carrying the message: "If you

kill her now it's murder. Three months ago it was abortion." Quayle commented: "We've told those people to tone it down. They are just hurting their own cause when they go to extremes."

In the Senate, far from going to extremes, Quayle reached out to a hated enemy of the right wing, Sen. Ted Kennedy, D-Mass, for help in passing a key piece of social legislation.

First, though, Quayle grew as a negotiator by helping work out a way to quell Senate opposition to the sale of 50 AWACS surveillance planes to Saudi Arabia.

But then, having scored at least a minor coup, Quayle failed to capitalize on it politically.

When the deal was done, he rushed back to Indianapolis to explain his position, and in the meantime, another senator swooped in and snatched the credit.

Quayle's press secretary told Fenno: "When he saw what had happened, Dan tried to get back in, but it was too late."  
Quayle never really seemed to develop the knack of getting credit, even for what Fenno considers the prime achievement of his service in the Senate -- the Job Training and Partnership Act, signed into law in 1982.  
The JTPA, according to Fenno, demonstrated Quayle's newly revealed desire to work hard and to build bridges to more liberal lawmakers.  
"If you look at the job-training bill he got through the Senate, from the beginning he worked with the Democrats," Fenno said. "He was the author of what you might call the major social legislation of the first Reagan administration, and nobody paid any attention to it."  
The JTPA replaced the oft-criticized Comprehensive Employment and Training Act (CETA).  
Set up in 1973, CETA was dogged by scandal and accusations that it merely put unemployed people into short-term government jobs or "make-work" positions without doing them any lasting good.  
JTPA aimed to train people for private-sector jobs by pumping federal money out to the states, and letting state and local governments decide who to train and what kind of job-training to give.  
In inviting Kennedy to co-sponsor the legislation in order to get bipartisan support, Quayle risked alienating his conservative followers and the Reagan White House.  
In fact, Fenno said, the administration's Labor Department fought him all the way, but Quayle -- his competitive instincts aroused -- stuck to his version of the legislation over that offered by the administration.  
In the end, Quayle put together a coalition that got the White House to jump on board the JTPA bandwagon.  
But when a report surfaced that one of Quayle's staffers had said the White House was trying to grab credit for the legislation it had attempted to stonewall, the Administration was furious.  
Reagan allowed himself to be photographed with Quayle to memorialize the legislation, but Quayle had to come to the White House through a side gate without his wife and children.  
Time was to render a mixed judgment on the JTPA, but Quayle's skill in getting it passed was noticed by his colleagues. Six months after the JTPA was signed into law, Fenno interviewed a close aide to Sen. Howard Baker, who told him Quayle was among the few "real good ones" in the freshman class of senators.  
"Quayle is loud; he's boisterous; he says what he thinks; he won't follow any one person for very long," the aide said. "But he's learning there's a reason for having the (party) leadership. He's got a lot of potential. He did one hell of a job to get that job training bill passed. He took on the administration. He took on a wild committee chairman. He took on some tough interest groups. He had to work things out with the other party. He had to work things out with the other house. I don't think many people know what a hell of a job he did. He has the potential to mature in the process. Right now, he's a rough-cut diamond. He's got a lot of fire in his belly. He wants to do things. He can become one very fine senator."  
According to Michael Barone, a former Washington Post staffer who now works as a reporter and columnist for U.S. News and World Report, Quayle continued to grow in the Senate.  
"He was a serious player on some important military issues," said Barone, who specifically cites Quayle's stand against the Reagan arms-control agreement in 1987 and 1988.  
"He was one of the hard-line guys who felt we were giving too much away in that agreement," Barone recalled. "I thought he seemed to have a pretty good command of policy knowledge."  
But Quayle's career in the Senate was to come to an abrupt end with one of the luckiest and unluckiest events of his life -- his selection as the vice-presidential candidate by the GOP nominee George Bush in 1988.

CHAPTER 8  
THE LEGEND OF THE LIGHTWEIGHT

The legend of Dan Quayle, lightweight, began for most of America on Aug. 16, 1988, on a hot night in New Orleans.  
Quayle, having just learned he'd been picked as the running mate for GOP presidential nominee George Bush, leaped onto a platform with Bush and gamboled about like a short-pants kid at a birthday party.  
Some observers later described him as acting like a cheerleader on happy pills or the guy who'd just won an Oldsmobile on a game show, grabbing Bush by the arm and shoulders again and again and shouting at the crowd, "Let's go

get 'em, all right? You got it?"

Bush said he'd chosen Quayle because he represented "the next generation," was an experienced member of Congress and had shown up well on defense matters and the job-training act.

In fact, many observers felt Quayle had been selected because he might appeal to baby boomers and women, or because Bush wanted a subservient vice president.

In any case, Quayle's selection turned into a political firestorm. A variety of factors fed the flames.

One was Quayle's callow performance onstage. Another was the frustration of reporters who had to scramble to do backgrounders on this virtual unknown. Still another, according to Quayle, was the lack of political help from handlers on Bush's staff.

Another was simply Quayle's own lack of preparation and savvy under duress.

"He didn't have a chance to mature as a political leader outside the limelight," said governmental scholar Paul Light. "And when one is thrust into that kind of pressure cooker prematurely, you can see the rip." pop."

Up to now, a bewildered Quayle was to tell another politician, he had never had bad press. Now all that changed, especially since the race between Bush and Massachusetts Gov. Michael Dukakis was not shaping up as terribly exciting.

"He (Quayle) ran into a national media with no story to tell, no conflict, and, dang, they just hit him right, left and center and uppercuts," Fenno said. "And he was just not prepared for that. He'd been in the minor leagues and, bang, he was in the majors."

Quayle didn't help himself in the early going, blurted out that he was worried that he'd be asked about the Paula Parkinson episode and offering the mysterious suggestion that "phone calls were made" by his family and friends to ease his way into the National Guard.

What with the information vacuum and the initial press impressions, Quayle was coming off very badly.

He was portrayed as a political lightweight, a string-puller and pampered rich kid who had coasted through college and law school.

Although a more balanced view of Quayle eventually emerged in articles and books, such as *The Man Who Would Be President*, by Washington Post journalists Bob Woodward and David S. Broder, Quayle was reeling from the coverage at the time.

Then, three days after he was selected, he was the focus of an angry set-to between reporters and residents of Huntington, Ind., the small Indiana town Quayle had once called home.

As they arrived, reporters were forced to run through a large, jeering mob screaming insults.

One, Bob Drummond, then of *The Dallas Times-Herald*, recalled the havoc.

"There were lots of shouts, people were waving signs, folks were leaning out and shaking them in your face, and I did get bopped in the face (with a sign)," said Drummond, now an editor for Bloomberg News in Washington, D.C.

"I'm not sure someone was assaulting me, but it was an unusual experience."

Reporters interviewing anyone with an anti-Quayle sign were pelted with angry words by the candidate's supporters. And the tumult rose to a pitch after the prepared remarks when Quayle held a news conference.

As Quayle faced a bristling semi-circle of microphones and cameras, sharp questions from the media about Quayle's National Guard service and Quayle's responses were piped to the loudspeakers so that the whole crowd could hear.

That wasn't happenstance. The Bush-Quayle people wanted a face-off between press and public, though they tried to deny it later.

In his 1994 memoir, *Standing Firm*, Quayle wrote that, "The campaign people decided to crank up the microphones so the crowd would hear all of the give-and-take between me and the press. We wanted to create a little healthy antagonism, to force the press to recognize that not everyone was buying into the media-created image."

The media rose to the bait, shouting and screaming questions at Quayle and arguing with him.

For the reporters, the physical setting was a nightmare, Drummond recalled, making them look nasty.

"It was so loud you couldn't hardly hear yourself think, let alone hear what anybody was saying," Drummond said. "And folks literally had to scream at the top of their lungs to be heard. A lot of the press was up on risers

looking down at Quayle, and it wound up on the television cameras looking like people were just out of control. If you had a close-up shot with a television camera of someone asking a question at this thing, it looked like some rabid dog screaming at the Senator."

Indeed, commentator Jim Lehrer, on that night's edition of The MacNeil/Lehrer NewsHour, said just that: "Those reporters (were) coming on like dogs after the red meat."

Quayle, however, said later that he felt he was finally getting his innings.

"I loved every minute of it," he said. "For three days, I'd been a punching bag, and suddenly I had 12,000 troops punching back on my behalf."

Unfortunately for Quayle, such one-sided shows of support for him were to be rare. And the furor of day had other effects.

For one thing, it cemented in his mind the idea that the media was a group of elitists who in no way shared the feelings of small-town America. It also

reduced the chances that the media would later treat his miscues gently.

In fact, they didn't, said speechwriter Ken Khachigian, who worked with Quayle on the campaign.

"It was almost like it became a game for them to trip him up."

Khachigian

said.

CHAPTER 9

WINNING DESPITE MEMORABLE STUMBLES, MISCUES

Dan Quayle had gotten off to a bad start with the national media, and his

troubles continued. After the flurry of bad press at the beginning of the campaign, his handlers tried to button him up and script his every move.

Quayle fought with them over this, trying to assert the energetic, casual, mix-with-the-crowd style that had worked when he was barnstorming across Indiana.

What resulted was often a mix of the worst of both approaches.

When Quayle stood behind a podium and delivered carefully worded speeches,

he looked wooden and uncertain.

When he launched off on his own, throwing in his own material and ad-libbing, he often stumbled disastrously.

For the first time in the memory of people who had watched him for years,

his occasionally slipshod speaking style degenerated into gibberish.

In a Chicago speech, trying to speak in favor of a strong national defense,

Quayle recalled that "(Indiana University basketball coach) Bobby Knight told

me this. He says, 'There is nothing that a good defense cannot beat a better

offense' . . . in other words, a good offense wins."

Not long after, Quayle referred to the Nazi Holocaust as "an obscene period in our nation's history." Then, trying to recoup, he amended that

to "this century's history." Well and good, but then he staggered into verbal mire. "We all lived in this century," he asserted. "I didn't live in this century."

Quayle's unhappy campaign lurched to its low point in October, when he debated Sen. Lloyd Bentsen of Texas, the Democratic candidate for vice president.

Quayle, 41, looked painfully young set off against the gray-haired Bentsen,

67.

Coached not to compare himself to former President John Fitzgerald Kennedy,

Quayle did so anyway.

Later, he said he was only comparing their length of service in Congress.

Even so, he opened himself up to a devastating counterpunch.

"Senator," Bentsen replied. "I served with Jack Kennedy. I knew Jack Kennedy. Jack Kennedy was a friend of mine. Senator, you're no Jack Kennedy."

But despite that memorable stumble and all of Quayle's other miscues, the

Bush-Quayle ticket won, and Quayle set out to prove he wasn't the cartoon he'd

been painted. He succeeded to some degree. But he never was able to

totally shake the idea that he was playing over his head.

He surrounded himself with a competent staff, including intellectual neo-conservative William Kristol, and underwent schooling by former

statesmen,

including Henry Kissinger and Richard Nixon.

He read biographies or memoirs of world leaders such as Charles de Gaulle

and Winston Churchill. At Bush's invitation, he attended all important

meetings.

And, as usual, he called on the counsel of his wife, who, starting in 1991,

occupied a suite of offices right across from the vice-presidential office in

the Old Executive Office Building.

Talk that she was the real brains and the tough operator in the Quayle family had become so prevalent that she backed away from obvious

involvement

in his day-to-day duties early in his service as vice president. But

observers

said the political partnership the two had forged remained as strong as ever.

That was true even though Marilyn Quayle pursued a separate agenda, promoting early detection and treatment of breast cancer, traveling the world representing the U.S. in disaster relief operations and even co-authoring two political thrillers.

Throughout his service as vice president, Quayle maintained an upbeat attitude, evident at an interview with The New York Times' Maureen Dowd five months after he took office.

In that session, he blithely compared his campaign style to Napoleon's maneuvering in the field and asserted, "There's still an interest and intrigue on exactly who I am."

Indeed, many Washington observers spent time trying to sort him out. Was

his self-confidence that of a sunny, dopey Pollyanna with an oddly distant relationship with reality, or the attitude of a man whose cleverness was masked by country-club jolliness and verbal stumbles?

"Those who work with Quayle claim he is bright and substantive, that he merely has a problem matching the pace of his words to his thoughts," Dowd wrote. "He treats language like a Lego set, taking a phrase, repeating and building on it, often without regard to meaningful content. At a stopover in

Hawaii on the way to Australia, Quayle told reporters, "Hawaii has always been a very pivotal role in the Pacific. It is in the Pacific. It is a part of the United States that is an island that is right here."

Lynn Rosellini, writing in U.S. News and World Report in May 1989, said Quayle's on-the-fly education seemed to have had mixed results.

"Ask Quayle about any subject he's been briefed on -- the space program,

Cambodian refugees, nuclear defense -- and he will have a reasonable answer.

But ask him to reflect on his own, and the new vice president is still in trouble. He will look earnestly at the questioner, pause reflectively, begin a thoughtful-sounding response and then say something bordering on the banal."

Owen Ullman, a writer for Knight-Ridder Newspapers, took another shot at

analyzing Quayle in a profile in late 1989. Some of Quayle's difficulties, Ullman decided, lay in the vice president's presentation.

"Quayle does not have an impressive speaking style," Ullman wrote. "His voice is shallow, he tends to slur words and to mumble, and he lacks eloquence, the result of a limited vocabulary, repetition of phrases and tortured syntax. He can seem youthful and insecure in body language as well -- the nervous rocking on his feet, the recoiling from hostile questions from reporters."

Ullman did rate Quayle on a par with Bush and better than former President

Ronald Reagan on intelligence measures such as "how he handles himself at news conferences, discusses political events, displays expertise in the arcane field of arms control and engages in casual conversation."

On a deeper level, though, friends and colleagues of Quayle told Ullman that lack of adversity and variety in Quayle's early life had produced a man

deficient in wisdom.

One said the vice president "is not well-educated, not in the sense of reading the classics but in gaining insight into his experiences. Things came

to easy for him, and he developed bad intellectual habits."

Quayle did work at his job, however.

He shuttled around the world on various foreign trips, some humdrum, some

relatively significant.

In December 1989, he chaired crisis meetings at the White House to work out

how to offer help to Philippine President Corazon Aquino during a coup attempt, and Washington insiders gave him good marks for his performance.

He raised millions for Republican candidates, building up his credentials

within the party.

And he scored points, at least with conservatives, in his work heading up

the National Space Council and the President's Council on Competitiveness. Still, his work on the competitiveness council inspired controversy.

Quietly, the small council altered or tried to alter regulations on, among

other things, federal rules dealing with commercial aircraft noise, bank liability on property loans, housing accessibility for the disabled, clothing makers' right to operate at home, and protection of underground water from landfill runoff.

Quayle said he was attacking creeping federal bureaucracy, and businessmen

loved him. But public-interest groups and environmentalists called the council

a shadow government bent on sabotaging regulations.

In his vice presidential memoir, Quayle said those attacks on him actually did him good.

"On balance, coverage of the council was a big plus for me," he wrote.

"It gave me more clout with the President and the Cabinet and just a little

more standing with the public. My deregulating powers may have been

exaggerated, but as political images go, dangerous is a lot better than stupid."

Quayle's standing with the public did fluctuate while he was in office, but overall the numbers weren't favorable.

After he had been in office for two years, a New York Times-CBS News poll showed only 14 percent had a favorable opinion of him, 18 percent didn't and 42 percent had no opinion.

Some 66 percent, most of whom were Republicans, said they'd worry about him taking over as president if something happened to Bush.

As the 1992 election approached, Quayle was seen as a liability by those around President Bush. In addition to the usual jibes, he'd taken heat for two incidents that year.

One was his "Murphy Brown" speech on May 19 in San Francisco, in which he said the children of single mothers suffer from the lack of attention and support of a father.

He decried the glorification of single motherhood by the TV character Murphy Brown - a single, professional woman who decided to have a child as a "lifestyle choice" -- saying it set a bad example.

His words were taken as attacking single mothers, though he said he meant to be their champion, to point out the social tragedies that result from poor life choices.

On June 15, 1992, Quayle stumbled into the "potato" incident. At a school spelling bee in New Jersey, he was handed a stack of flash cards, including one on which the vegetable was misspelled "potatoe."

Not noting the misspelling, Quayle hinted to a 12-year-old boy who had spelled the word correctly that he should change the spelling, which the boy did.

Quayle, who had struggled hard to escape his image as a blockhead, was pummeled with another round of late-night talk-show jokes.

Those who wanted to push him off the ticket were given ammunition. In the end, Quayle was not booted out of the White House at the urging of his enemies in the administration.

That job was carried out by the voters, who rejected Bush and Quayle at the polls and chose Bill Clinton to run the country with Al Gore as his second in command.

#### CHAPTER 10

#### 1999 - REASONS TO HOPE AND DESPAIR

In early 1999, seven years after Dan Quayle had been shunted out of Washington, he had reason to both hope and despair over his chances to win the presidency.

In 1994, he'd thought about jumping into the 1996 presidential race, but health problems had bogged him down -- particularly a blood clot in one lung possibly brought on by extensive airline travel.

Now, five years later and fully recovered, he faced a political scene that offered mixed signals about his chances for success.

On the plus side, his family-values message was finally being embraced.

In 1994, President Clinton's own head of Health and Human Services, Donna Shalala, had come around to Quayle's point of view, saying Murphy Brown had set a bad example by having a fictional baby out of wedlock.

Quayle's wholesome lifestyle also contrasted sharply with that of President Clinton, whose career of half-hidden bedroom farce had been capped by a sexual

romp with White House intern Monica Lewinsky.

Too, Quayle's vice presidency had given him on-the-job experience. He also looked more mature. He'd written books and taught business students. Maybe he'd finally get credit for having some brains.

Some were willing to give him that. Conservative columnist William Rusher

looked over the field of Republican candidates and called Quayle "from a conservative standpoint, the class of the array."

Quayle didn't pussyfoot around or apologize for his views, Rusher said, and as a social and economic conservative, he had a shot at gathering wide support in his party.

But there were bad omens, too. Though Americans were tiring of Clinton's humid frolics, the roaring economy made them more accepting of his bad acts.

Did it really matter, they wondered, how politicians carried on in the bedroom as long as they did the job?

Furthermore, Quayle would be fighting for the Republican nomination against, among others, Texas Gov. George W. Bush, the son of former President

George Bush, Quayle's greatest political patron. Bush the father wouldn't be helping Quayle.

Bush the son looked like such a slam-bang politico -- a Yale grad with a good-old-boy style -- that Republicans salivated at his prospects of beating the likely Democrat nominee, Vice President Al Gore.

"W" hadn't been tested, but he seemed to have wiggle room on the issues. Quayle had been tested, but -- fairly or not -- he'd been marked down by many as a partisan conservative with narrow appeal. He'd also been bloodied by the press.

It was bad. The late-night comics were dusting off their jokes. Doonesbury cartoonist Gary Trudeau began plotting new Quayle panels. A publisher got going on a reissue of a book by Deborah Werksman and Jeffrey Yoder first published in 1992: What a Waste It is to Lose One's Mind: The Unauthorized Biography of Dan Quayle.

Quayle knew he was under great pressure to make a perfect run. And the effect of that pressure had made him prickly as early as the year before, according to Michael Anton, who worked as a fund-raiser for Quayle from January to April 1998.

Anton's view of Quayle is not necessarily widely held. Quayle is usually credited with being congenial and caring toward those who work for him.

For instance, Jon Wuebben, who took a class from him at the American School of International Management in Glendale, found him pleasant and open when he worked for two months in the summer of 1997 at Campaign America, the political action committee.

"It was almost like dealing with a good friend rather than with a former Vice President of the United States," Wuebben said.

In early 1998, however, Anton said he found Quayle distrustful and short-tempered. Anton said that in this particular case, Quayle put the interests of his campaign above the family values that he proclaims.

Anton said that when Quayle offered him a job in late 1997, Anton told him he didn't want to move to Arizona to work on Quayle's campaign until April 1

because his wife had a baby on the way. According to Anton, Quayle insisted he had an immediate need for Anton, who, though only 28 at the time, was already a veteran political worker, having handled major donors for the Republican National Committee.

Anton made the move in early 1998 and bought a house in Scottsdale. But things did not go well with Quayle.

Quayle's wife was friendly and seemed to have a "great vision" for the campaign, Anton said, but Quayle himself came off as a micromanager with a short fuse.

"He likes to have hands-on because (I've read that) in the 1988 campaign, he felt he did not have control," Anton said.

Quayle got upset if a fax machine ran out of paper or if Anton forgot to invite someone to a fund-raiser, Anton said.

"It happened often," Anton recalled. "He would raise his voice. People outside the room would hear him when he was angry."

Quayle also was distrustful, Anton said, checking with two or three people to verify what one of his campaign staff members had said.

If Anton told him the dollar figure for fund-raising on a particular day or informed him that a certain VIP had offered support, Quayle would double-check and triple-check the information.

"He doesn't trust some people. . . . I heard he was doing that with other people as well," Anton said. "I was told he did it to make sure everybody was on board, but it sort of puts people at arm's length."

Rightly or wrongly, Quayle obviously had a problem with Anton, who was dropped from the campaign on April 1, two weeks after his baby was born. Anton

and his wife had to sell their house and make a costly move back to Washington, D.C., where Anton now works for a consulting firm. He has given up politics.

Quayle, questioned by the Republic about the Anton matter, denied that he had pressured Anton to go to work earlier than he wanted to.

"I had a conversation with him in New York . . . and after I met with him,

I told people in Arizona he is not going to come out, he shouldn't come out, he's having a child in April," Quayle said. "And the next thing I know, he's changed his mind (and decided to start work right away)."

Quayle, visibly agitated, called Anton a "nice person" and said, "It's unfortunate that things didn't work out. It was very, very unfortunate."

Anton also said he saw signs that Quayle might be overly cautious about media coverage because of his past difficulties with reporters.

Quayle rebutted Anton's assessment, saying, "I wouldn't base anything on what he said. . . . He has no sense of what I'm all about, no sense of what the strategy is . . . I had maybe two conversations with him other than quick things when I was on the go."

But perhaps Quayle had some reason to worry about coverage. As the

campaign

progressed, he made statements at times that contained odd dissonances.

In particular, he cast himself as the outsider taking on the "elites" pulling America's strings.

"Even when I was part of the Establishment, I was always fighting for the guys on the outside," he said in a late-summer interview. "It's part of my upbringing, part of my newspaper heritage, you fight for the little guy .

You get on the side of the people that need to have help and take on the big boys with the big wallets."

Though he was a multimillionaire, corporate board member and collector of huge capital gains, he portrayed himself as a populist.

When he announced his presidential run on the Larry King Show, he told King, "If you own stock, if you're CEO of a company, if you've got stock options . . . you're fat and happy. But I tell you what, if you're out there working every day with your hands, teaching, whatever the case may be, you are having a tough time making it."

He criticized rich people so much that King asked him if he wasn't going to upset Republicans. Unfazed, Quayle told King, "The really rich people are Democrats."

Then, when Quayle returned to the San Francisco scene of his "Murphy Brown" speech, he took a jab at "people who live in gated communities" locked away from the pain of poor people worried about crime and getting their kids to school.

He didn't mention that he himself lived in a gated community.

CHAPTER 11

TRAILING BUSH THROUGH NEW HAMPSHIRE

Quayle hit New Hampshire for his latest campaign swing on June 16, 1999, shortly after Texas Gov. George W. Bush had drawled his way through the state

with massed armies of reporters in tow, turning out crowds eager to catch a glimpse of the Republican savior.

Bush had done well enough, with no major gaffes, though he continued to play peek-a-boo on issues. The people he ran into seemed pleased to meet him.

Because of that, he looked to keep inhaling campaign cash and winning the polls.

He was, of course, Quayle's worst nightmare. Just as Quayle's youthful past had caught up with him when he'd been plucked out of the Senate for the vice presidency, now his past was calling again.

He was up against old knock-around George, who'd flitted in and out of the White House when his father was running the place and Quayle was scrambling to get some respect as vice president.

Now Bush was being hailed as the best hope for the Republicans -- when it was Quayle who had taken the hits and built a record of standing firm for conservative causes.

Later, Marilyn Quayle, campaigning in Iowa, would assert edgily that the media, which seemed to kiss up to Bush, should really be giving him the treatment they'd given her husband in the 1988 election -- depicting Bush as a dunce who had never accomplished anything, a "party frat-boy type" who owed everything to his family connections.

"Everything he got Daddy took care of," she would say. "The caricature they made of Dan in '88 is George W. It's him. It wasn't true about Dan. But it is him."

Even with Bush's prodigious poll numbers and rush of money and media favor, the game wasn't over yet. And if there was one place where Quayle might be able to lap Bush, it was New Hampshire.

After all, this pocket-sized state was legendary for laconic, bristling,

don't-tread-on-me types who made their lives among the covered bridges, red-brick towns and rugged country.

But New Hampshire was changing.

Techies up from Boston were softening the edge of the political views in the southern part of the state. Cosmopolitan types were streaming in through

Manchester's growing airport. Pragmatism and world-weariness were oozing in, siphoned off the screens of the TVs and computer monitors that linked the flat-talking residents to the world.

This incursion of trendy people and influences couldn't have been good for Quayle. It may have helped explain why he was sagging deep in the polls, with the backing of only 4 percent of New Hampshire Republicans.

Even so, the day for Quayle started well when more than 60 people showed up for a coffee for Republican activists at the home of Rep. Sandra Reeves in a green, wooded area of Manchester.

Clermont Boutin, 37, a jet engine technician with the New Hampshire

National Guard, told a reporter how important a solid family life was to him, and how he admired that same attitude in Quayle.

"The Silent Majority who know Quayle know his positive values," Boutin asserted.

Smiling and upbeat, Quayle treated the crowd to a mini-address, promising that, if elected, he'd return clean living to the White House, get a grip on foreign policy and take a chainsaw to taxes.

Then it was off to WGIR Radio, part of the "Action News Network," for the Dan Pierce talk show. Quayle was told by his host that he'd beaten out all other Republican candidates in the "unscientific Dan Pierce poll" of callers-in.

"Best news I've had since I got here!" Quayle responded.

His mood improved even more when he got a chance to smack Bush again, accusing him of hiding from the issues.

"Clearly when you are the front-runner like that . . . you go for a lot of glitz and very little substance," Quayle said.

Quayle did offer substance.

He told one caller he would not appoint judges who didn't agree with his anti-abortion stance, and another that he would send American troops into harm's way only to protect "vital national security interests."

"I'm in this to win," Quayle said. "I'm not just in this to go out and to make speeches and tell my kids some day, 'Hey, I went out and ran for President of the United States.'" "

At his next stop, the Manchester New Life Home for Women and Children, the audience was an array of women who had beaten drug and alcohol addictions. They told him how the faith-based New Life program had saved them.

He told them that was the way to go -- trusting God, not the programs of big government. Doffing his jacket, Quayle took a little girl on his lap and praised the women for what they had done.

"Keep it up," he said. "Keep believing. Believe in yourselves, believe in your families, believe in God."

Afterward, several of the women pronounced themselves impressed.

"I found him to be a very gentle spirit," said Carole Cadieux, 35, a former alcoholic and cocaine addict. "He cares about people."

Next stop, Concord, N. H., about 15 miles north of Manchester. Quayle spoke to a gaggle of state legislators at the Eagle's Nest Restaurant. Here, Quayle's campaign tour showed some real fire.

It didn't come from Quayle, however, but from his national campaign manager: the owlish, stocky former governor of New Hampshire, John Sununu.

Roaring and rumbling, Sununu went the distance for his candidate.

Republicans were were playing right into the Democrats' hands, Sununu asserted, dithering around and failing to get behind the right man to carry them into the White House: Dan Quayle.

Quayle, following Sununu's performance, amped up his speaking style and tossed a barb at that "compassionate conservative" tag Bush was trying to work so hard. Quayle described how conservative Christians had turned around the lives of the women at the New Life Home.

"The next time they tell you that conservatives aren't compassionate," Quayle said, "tell 'em to go fly a kite!"

The lawmakers chuckled. But out in the crowd, there were signs of uncertainty about him. Even Sandra Reeves, who had hosted the morning coffee

for Quayle, said Bush had come off as very attractive in his swing through the state.

"I was smitten, but everyone there was smitten," she said.

This same kind of ambivalence greeted Quayle late in the afternoon at the Pleasant View Retirement Home in Concord, a Georgian Revival structure set on

an expanse of wooded ground harboring deer, foxes, and wild turkeys.

The home's elderly, conservative clientele seemed tailor-made for Quayle's political message.

Indeed, as he began to shake the hands of residents gathered in the French Provincial living room, Quayle was greeted enthusiastically.

"You're as handsome as your picture," exclaimed Sara Edsall, 93, a slim, sturdy Vermont native in a delicately flowered dress.

"Oh, thanks very much," replied Quayle.

"How's your golf game?" asked a man in a pink tie and green sport coat. Not as good as it had been, Quayle replied jovially -- he'd been too busy campaigning.

As Quayle made his way around the room, Edsall couldn't get over her physical impression of the candidate. "Handsome man," she said, leaning over to speak to a man next to her.

But when a reporter asked her if Quayle had her support in the primary election, it turned out that looks weren't everything.

"I'm not going to vote for him," she said. "I don't think he can be elected. I'm going to push for Bush and for (Elizabeth) Dole as vice president. People are always asking me what my goals are. My goal is to live

long enough to get the Republicans back in office. And I hope we all get behind Bush and elect him."

Quayle stayed optimistic, but the idea that Bush was steamrolling him wasn't far from his mind.

In a quick interview with Arizona Republic reporters, he was asked whether he felt betrayed by the Republican Party for stampeding to Bush. No, he said, Republicans were just nervous because they didn't have an agenda, because Clinton had bloodied them up during the impeachment process and because they didn't have a strong leader.

"They're going with the polls rather than with their hearts," he said. "It's a huge miscalculation on their part."

He called up the specter of Dick Morris, the Clinton political advisor who had been caught dallying with a prostitute.

It was Morris, Quayle said, who had come up with the craven political strategy of "triangulation," pointing yourself toward the mushy political middle like the tip of a triangle.

"Unfortunately, now we have Dick Morris Republicans," Quayle said, and that was a bad way to go. "Republicans don't win elections trying to be like

Bill Clinton and being Dick Morris Republicans. And . . . if you would win an

election like that . . . what are you going to do to really change the country? If you're going to run an ambiguous, mushy, equivocating, triangulation, Dick Morris type of campaign, what good is it?"

No good, implied Quayle, who vowed he wouldn't run that type of campaign.

But would the kind of campaign he was running really turn out to be a winner?

Increasingly, the answer appeared to be "No."

#### CHAPTER 12

##### LEAVING THE STAGE

As Quayle's campaign moved into midsummer, things were looking grim.

Bush had dealt a body blow to his Republican opponents by announcing he'd

raised \$36 million for his campaign in the first six months of the year -- the largest amount in history.

Meanwhile, Quayle's money machine had blown a gasket. In the first three months of the year, he'd come in second to Bush in money-gathering, but now

his campaign was \$500,000 in debt.

Even worse, in New Hampshire, where he desperately needed to win the Republican primary, a Boston Herald poll showed him in fifth place, with the support of only 4 percent of Republican voters.

He was scrambling to recoup on June 21 when he went on NBC's Meet the Press, but he did himself no good when host Tim Russert asked him how he differed from Bush.

"Well, if I knew where he stood, I could tell you," Quayle replied. "I do disagree with him, and this is going to be an issue in the Republican primary, no doubt about it. From what I know, he was very much for the military involvement in Yugoslavia. I was very much opposed to that. . . ."

The next day Russert was interviewed on MSNBC's Imus on MSNBC talk show, and confessed he was a bit puzzled by Quayle's responses.

"(Quayle) really didn't have much to say," Russert said. "I thought he was there to distinguish himself from George W. Bush and try to slow this stampede toward Bush down, and it was lost on me and it was lost on, I think,

most of the audience. I just didn't get it. I really didn't."

To Russert, it seemed that Quayle had deluded himself into thinking his status as a former vice president carried great weight.

"He believes, as George Bush's vice president, that he should be the heir apparent to the presidency," Russert said. "Normally in political parties, Vice President Al Gore, Vice President George Bush, succeed and become the party's nominee, and he's having a difficult time figuring out why he is

3 or 4 percent in the polls. But you have to have something to say, you truly do. . .

. . . And right now he is totally devoid and absent a serious message."

Quayle would later say Russert had actually defended him as a serious candidate on Imus' show and that Russert only made the "serious message" remark because Quayle hadn't bashed Bush.

In fact, Quayle's message was laid out quite soberly in his campaign book

Worth Fighting For, issued by Word Publishing, a Christian publisher in Nashville, Tenn.

In the book, Quayle ripped the '60s Generation for sabotaging traditional

values, called for big tax cuts, term limits and a ban on partial-birth abortion, and urged Americans to refocus on the importance of religion and the family.

He also called for the United States to take a tough stance toward China

and to pick its fights carefully, choosing to get involved only in overseas

conflicts clearly linked to its national security interests.

But often Quayle seemed to be rehashing his personal battles with the "elites" he felt had snubbed him.

In particular, he took on Random House president and editor-in-chief Ann

Godoff for turning down his proposal for Worth Fighting For because of her own personal politics.

Her rejection letter read, in part, "The trouble is I just don't want to be a party to the promulgation of ideas I disagree with so profoundly."

Because Quayle's proposals in the book were standard conservative fare, it wasn't clear exactly what ideas Godoff found so wild-eyed and repugnant, and she declined to elaborate.

But Quayle's comments on her rebuff raised the specter of a cynical coalition out to do in the country's values: "the elite news media, the Hollywood crowd, the tenured faculty of elite institutions of higher education, the federal judiciary and the radical feminist movement."

This, Quayle said, was the "overclass" or "the new aristocracy."

"(A)sk yourself," Quayle wrote, "is Ms. Godoff alone, or are there hundreds or thousands of such culture police deployed across the country who, if they could not shut us up completely, at least systematically distort the substance of the debate about the future of America by omission and suppression?"

Perhaps, but that couldn't entirely explain the lack of impact Quayle was making on the public. On political-chat programs, he was more polished than in the past, but also less vital.

That was pointed out on June 23 by Dave from Florida, who called in when

Quayle was appearing on CNN's TalkBack Live, hosted by Bobbie Battista.

"It seems to me that when you started out you were gung-ho, and your arms flailing, and America first and everything," Dave told Quayle. "But it seems like now, you've got a charisma bypass, that you don't seem as passionate as you were, and people think of you as mostly kooky."

Quayle, perhaps caught off-balance, launched the kind of run-on, statement-of-the-obvious reply he'd been nailed for in the past.

"Well, I hope that the kooky, passionate person that loves his country and loves the American people -- and that's the reason that I'm running for president, because I am going to offer myself to the American people," he said. "I think that I have a lot to offer, but it would be their choice." And so on . . .

One of the things Quayle had to offer on this program were his fears that rogue Albanian Kosovars might act badly. The Kosovars, he said might launch reprisals against Serbs in Yugoslavia ("the raw nerve of revenge is going to raise its ugly head") in the wake of the NATO bombing attacks aimed at stopping the Serbs from murdering and burning out the Albanians.

Quayle turned out to be right. But strangely, in light of his fears, Quayle proposed that the U.S. should have helped out with such reprisals up front.

He said the U.S. should have funded the Kosovo Liberation Army to do battle with the Serbs rather than taking part in the bombing campaign.

Battista appeared taken aback, replying, "But at one point in time they (KLA members) . . . were known as terrorists."

"That is true," Quayle replied, "and that's why the KLA is -- has been identified as a terrorist organization by our State Department, has been funded by Hezbollah, which is the international terrorist organization out of

Iran, and even (terrorist leader Osama) bin Laden's operation, supposedly, is funding the KLA. But, you know what, this is a preferable approach rather than

the United States getting bogged down, having to have this huge military intervention, all the bombing, all the destruction, for what?"

For the most part, though, no one was picking apart Quayle's positions on this or much of anything else. His head just wasn't up high enough in the race

for people to take a bash at it. That, in itself, was a bad sign.

How, then, to get more attention? Quayle made a bold move, bagging a spot on the Jay Leno Show, which for years had been a forum for Dan Quayle jokes.

On July 22, Quayle traded quips with the comic, appearing in a lineup of guests that included rapper LL Cool J and Shannon Elizabeth, lusty star of the teenage sex-romp movie American Pie.

Quayle got some laughs and a standing ovation, and was repeatedly called "a good sport" by Leno.

His appearance didn't stifle the jokes, though. Less than a week later, Leno was at it again.

This time, the comic's jumping-off spot was a statement by Bobbie Gobel, then the Christian Coalition director in Iowa, that Quayle had told her, "If

God is in this, I will be the next President of the United States."

Quayle's staff denied Quayle had said that to Gobel, who was later dumped for making nasty accusations against GOP presidential hopeful Steve Forbes.

But by then, Leno had taken his latest cut:

"In an interview the other day, I don't know if it was Quayle or some of Quayle's people, but they implied that if God is involved in this election at

all. He would like to see Dan Quayle elected president," Leno told his audience on July 27. "You ever get the feeling that when Quayle talks to God about the campaign, God just lets the machine pick up? . . . Even God's going,

'Look, I can handle a miracle, but not that big.' "

Just how big a miracle Quayle needed became obvious on Aug. 14, when Iowa held its Straw Poll.

Quayle, who spent only \$100,000 to lure voters with food, entertainment and transportation, failed to make a showing against either the big-bucks candidates, Bush and publisher Steve Forbes, or his thrifty opponents.

In a nine-entry race, Quayle beat only Sen. Orrin Hatch, R-Utah, a Johnny-Come-Lately to the campaign.

Bush won with 31 percent of the vote, followed by Forbes with 21 percent.

Quayle garnered only 4 percent, whipped even by supposedly minor candidates

like talk-show host Alan Keyes, who got 4.6 percent, and Gary Bauer, former president of the Family Research Council, who captured a surprising 9 percent.

Quayle's people, like those of all the other candidates, complained about

the wild spending of Bush and Forbes, but Quayle had another problem, too.

The flaw was noted, with some sympathy, by Bauer backer Arlan Hoskins,

a salesman from Clarinda, Iowa, who visited Quayle's tent at the straw poll to hear him speak.

Hoskins, wearing a green "Bauer for President 2000" ball cap, came away shaking his head.

"We think he's a good boy," Hoskins said, "He'd be a good supporter for Bauer, we'd be glad to take him on. But he lacks passion."

Hoskins' daughter Amy, a resident of Olathe, Kan., said that Quayle seemed

to be running down.

"It almost seems like old hat to him -- that he's campaigned a long time

and he's getting tired," she said. "Even when I shook his hand, he seemed tired."

Quayle later said that perhaps Hoskins was a "single-issue person" and that he had never done well with those types.

"People do think I have passion and that I stand for what I believe in,"

he said.

But the indignity of being submerged in the straw poll wasn't the last one

Quayle was to suffer.

Shortly afterward, the core of his campaign staff in South Carolina defected to the campaign of Sen. John McCain, R-Ariz., and a key staffer in

New Hampshire went over to Bauer's campaign.

For Quayle, the road back to respect had proved to be long and rocky. In

the end, it turned out to be short.

After the Iowa straw vote, he focused his efforts on New Hampshire. He felt

he was making some headway there, both in fund-raising and support.

But in late September, he came back to Arizona from a trip to Granite State

and looked at his post-New Hampshire strategy. He saw what he was facing:

a packed primary schedule, a bare-bones budget, and an opponent -- Bush --

who might be able to run his fund-raising effort all the way up to \$100 million.

Quayle knew he had hit the wall.

"I'm a tough person, and I'm there to win," he said later. "But the moment I cannot see the clear strategy to win the nomination -- not to come in

second, or to do well -- then I know it's time to leave the stage."

It was wrenching decision for Quayle. "Almost every bone in my body

said, 'Don't do this.' " he would recall. "But I had no choice."

On Monday, Sept. 27, Quayle held a news conference at the Arizona Biltmore.

He thanked his family, he thanked his staff, he reaffirmed his political views.

And he said that his campaign was over, that he was out.

#### GRAPHIC: Charts (2)

Photos (2)

Color file photo

Photo by Newsmakers

Photos (4) by Associated Press

Color photo by Jim Cole / The Arizona Republic

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Color photos (2) by Steve Healey / Indianapolis Star News

; (1) Biographical information

J. DANFORTH QUAYLE

Born: Feb. 4, 1947, Indianapolis, Ind.

Parents: James Quayle, former publisher of the Huntington (Ind.)

Herald-Press, and Corinne (Pulliam) Quayle, daughter of Eugene C.

Pulliam, who

founded Central Newspapers Inc.

Siblings: Chris, Michael and Martha ("Marty").

Spouse: Married Marilyn Tucker Nov. 18, 1972.

Children: Tucker Danforth (born July 3, 1974), Benjamin Eugene (born

Nov. 5,

1976) and Mary Corinne (born Nov. 27, 1978).

Military career: Served in the Indiana National Guard from 1969 to 1975. Specialized in military journalism.

Political affiliation: Republican

Political career: U.S. Representative from Indiana's Fourth Congressional

District from 1976 to 1980. Senator from Indiana, 1980 to 1988, served on

the

Armed Services, Budget, Labor and Human Resources committees. Vice

president

of the United States, 1988 to 1992.

(2) QUAYLE CHRONOLOGY

Feb. 4, 1947: Born in Indianapolis, Ind., son of James C. and Corinne

(Pulliam) Quayle, a daughter of newspaper mogul Eugene C. Pulliam.

1955: Quayle's family moves to Phoenix when he is 8 years old.

1955-1963: Attends elementary school (at Central, Osborn, Kachina and

Kiva

schools) and goes on to Scottsdale High School, where he plays on the golf

team.

1963: Father buys the Huntington (Ind.) Herald-Press from Eugene C.

Pulliam

and moves the family back to Huntington for Quayle's last two years of

high

school. He is 16.

1965-1969: Works as a reporter and pressman for the Herald-Press.

1969: Gets bachelor's degree in political science from DePauw University,

Greencastle, Ind.

1969: Joins the Indiana National Guard at the height of the Vietnam War.

1970: Enters Indiana University law school.

1970-71: Works for the Consumer Protection division of the office of the

Indiana Attorney General.

Nov. 18, 1972: Marries fellow law school student Marilyn Tucker,

daughter of

two physicians.

1971-73: Administrative assistant to the governor of the State of

Indiana.

1974: Gets Juris Doctor degree from Indiana University Law School.

1974: Passes Indiana State Bar.

1974-76: Associate publisher, general manager of the Herald-Press,

circulation 8,300.

1976: Approached by Orvas Beers, Republican county chairman in Fort

Wayne,

Ind., and Ernie Williams, editor of the Fort Wayne News-Sentinel, and is

asked

to run for seat in the U.S. House of Representatives.

1976: Defeats Democratic incumbent J. Edward Roush, 55 percent to 45

percent.

Mid-1977: The Quayles already are planning a switch to the U.S. Senate.

1978: Runs as the Republican incumbent and defeats Democratic attorney

John

Walda, getting 66 percent of the vote.

1980: Runs against Democratic incumbent Sen. Birch Bayh, charging that

Bayh

is out of step with Indiana after 18 years in Washington. Quayle wins 54

percent to 46 percent.

Aug. 16, 1988: George Herbert Walker Bush, Republican candidate for

President, announces at the New Orleans Republican National Convention

that he

has chosen the 41-year-old Quayle as his vice-presidential running mate.

1988: Bush and Quayle are elected.

1992: Bush and Quayle are beaten by Bill Clinton and Al Gore.

1994: Standing Firm, Quayle's vice-presidential memoir, is published by

HarperCollins.

1996: Moves with Marilyn from Indiana to Paradise Valley. Quayle takes

over

Campaign America, a GOP political-action committee.

Spring 1997: As a Distinguished Professor of International Studies,

begins

teaching a course in "The Politics of Global Competitiveness" at

Thunderbird, the American Graduate School of International Management in

Glendale. April 14, 1999: Quayle launches his campaign for the GOP presidential

nomination in Huntington, Ind. Sept. 27, 1999: Quayle officially announces that he is withdrawing from

the

race, noting that endless demands for campaign funding have turned

politics

into 'a grubby business.'

1) A young Dan Quayle demonstrates his golf grip for a school

publication.

2) Dan Quayle (far left) is pictured with his school golf team.

Dan Quayle takes a swing while visiting the Oakland A's at Phoenix

Municipal Stadium during spring training in March 1990.

Dan Quayle campaigns for Senate with his wife, Marilyn.

1) Vice-President elect Dan Quayle looks skyward while talking to

former

President Richard Nixon outside Quayle's transition office. 2) Army

National

Guardsmen Dan Quayle (left) and Bob Basler at Camp Atterbury, Ind., in

1971.

3) Dan Quayle and Sen. Edward M. Kennedy announce a trip to Chile and

Brazil

in 1990. 4) Dan Quayle and Sen. Lloyd Bentsen shake hands following their

debate in Omaha, Neb., in 1988.

Dan Quayle waves while walking in the Milford, N.H. Labor Day parade. Several presidential hopefuls participated in the event.

Host Jay Leno laughs during his interview of Dan Quayle during a taping of

'The Tonight Show with Jay Leno' in July 1999, in Burbank, Calif.

Sixth grader William Figueroa looks at his spelling of the word "potato"

as Dan Quayle, reading from a cue card, tells him to add an "e" during a visit by the Vice President to The Rivera School in Trenton, N.J., in June 1992. Also pictured is the Rev. Buster Soaries (second from left) and Trenton

Mayor Douglas Palmer.

Dan Quayle at Sacramento, Calif., in February 1999.

Dan Quayle lives in this gated community in Paradise Valley.

On Sept. 27, Quayle announced that he was withdrawing from the race.

The decision came after a 'wrenching, rugged weekend' of agonizing what to do. Isaiah Brown (right) sleeps in his stroller as Dan Quayle and his

wife, Marilyn, talk with Isaiah's twin, Elijah, during a visit to the Iowa State Fair in Des Moines in August 1999.

1) Dan Quayle addresses the press in June 1999 at the New Hampshire Republican Headquarters in Concord with Fran Wendelboe, a Republican member of the state house, and John Sununu, Quayle's national co-chair for the campaign.

2) Dan Quayle kisses Tiffany Connor, 3, who lives with her mother, Jackie, at the New Life Home for Women and Children in Manchester, N.H., as volunteer Susan Martin of Salem, N.H., looks on. 3) Dan Quayle passes a campaign poster for Sen. John McCain as he leaves the New Hampshire Republican Party headquarters in Concord in June 1999.

Dan Quayle signs copies of 'Standing Firm' in Phoenix on May 19, 1994.

Dan Quayle speaks to the media and about 50 supporters about his presidential bid at the Phoenix Museum of History in February 1999.

1) Former Vice President Dan Quayle shakes hands with well-wishers after announcing his bid for presidency in April 1999. 2) Dan Quayle and his wife, Marilyn, wave to well-wishers after announcing his bid for the presidency.

LANGUAGE: ENGLISH

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97 of 142 DOCUMENTS

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CBS News Transcripts

SHOW: FACE THE NATION (10:30 AM ET)

October 3, 1999, Sunday

TYPE: Interview

LENGTH: 3541 words

HEADLINE: VICE PRESIDENT AL GORE DISCUSSES POLITICS

ANCHORS: BOB SCHIEFFER

BODY:

BOB SCHIEFFER, host:

Well, fall is coming to New England. The crops are in, as you can see. And the vice president is here with us in Portland, Maine. We're here because he's here campaigning. And that's what brings us to the Public Market in Portland.

Mr. Vice President, thank you for--for joining us.

Vice President AL GORE: Glad to be here, Bob.

SCHIEFFER: I see you're out of the blue suit, you're out of the tie. Is this a new Al Gore?

Vice Pres. GORE: No. Well, there are not many people in suits and ties here at the Public Market in Portland, Maine. And I'm--I'm taking the campaign and my candidacy right to the grass roots, and talking with people about how we can create the kind of future that people want to see for their families.

And I'm learning a lot. I'm enjoying it. I'm hearing a lot about the need for better public schools and expanded access to health care. And I think people are really interested in how we can keep our economy strong and growing.

They like the fact that we've created 20 million new jobs in America, but they want to make sure that we continue to make progress because a lot of people have been left behind, including some in this state.

SCHIEFFER: Mr. Vice President, let me start with just a little bit of unpleasant news, because it's in all the papers this morning--a report that State Department investigators have compiled a report that says while your campaign chairman, Tony Coelho, was heading a US trade exhibit of Portugal last year, there were some unusual practices. They misused--they list things like, 'misused airline tickets, gave a niece a federal job, received a questionable loan, urged the government to make questionable payments to several contractors and that some of the records about all of this were destroyed.' Do you know anything about this report?

Vice Pres. GORE: I know Tony Coelho, and he's doing a great job as my campaign chair, and he'll continue doing a great job as my campaign chair.

SCHIEFFER: You have full confidence in him?

Vice Pres. GORE: Tony Coelho is doing a terrific job. He--he's my close friend, and he's going to continue doing a great job. He's, frankly, making it possible for me to be out here in the Public Market, out here talking with people at the grass roots. And people that I talked to are not interested in inside-based ball, political...

SCHIEFFER: So in other words, he has your full confidence. He's going to stay on. You don't have any problem...

Vice Pres. GORE: He--he is staying...

SCHIEFFER: You don't think he's done anything wrong?

Vice Pres. GORE: He is staying. And I haven't seen this report, but I know him. And--and he is going to continue doing the terrific job he's been doing as my campaign chair.

SCHIEFFER: Well, let's talk about what happened this week, because it was an extraordinary week by any standard. You called a news conference, said you're shutting down your entire Washington campaign headquarters and moving it to Nashville, Tennessee. Why?

Vice Pres. GORE: Well, the campaign's entered a new phase. It's a close, hard-fought race. And, frankly, I welcome that. I--I think we can elevate this campaign, not only by taking it directly to the grass roots, but also by having a series of debates. I--I announced three things: I'm moving the campaign--lock, stock and barrel--to Tennessee, away from K Street to Main Street so to speak. Secondly, I'm going to change the way I campaign. And instead of having these events that are planned out, just have open meetings and talk to people directly about the choices we face. And then I challenged Bill Bradley to a series of debates. I'd like to have debates every two weeks, and have them on different issues each time: education, health care, etc.

And I--I'm--I'm sorry that he has turned down my debate challenge. I--I wish that he would accept. And I hope that--you know, in--I--I hope that we can, together, create a different kind of campaign. Not rhetorically, but--but in reality, to really lift up the way we--we present issues to the American people.

SCHIEFFER: Well, let me ask you this: If I should invite you to be on this broadcast to debate Bill Bradley, if I stood back, let the two of you ask questions of each other and just served as a moderator, would you come on the broadcast and accept that invitation?

Vice Pres. GORE: I've accepted--I've accepted a number of invitations, and I'd like to--I'd like to do it every two weeks.

SCHIEFFER: Would you do that?

Vice Pres. GORE: Sure. I'd like to--I--I accepted one that Larry King

offered last week.

SCHIEFFER: OK.

Vice Pres. GORE: And some of the other networks have--have offered them. But here--here's the point. For quite a long time, at least since 1963, we've seen people turning away from our representative democracy. Here we are, the nation that has created this magnificent devotion to democracy and--and self-government. And--and yet in our own country, people are turned off by campaigns and negative ads. And we have a chance to--to have a different approach that will bring people toward our democracy. I think that w--the year 2000 is w--is going to start a whole new era. And we need to--we need to define the choices.

SCHIEFFER: Let's--let's talk about this idea of a debate. What are the differences between you and Bill Bradley?

Vice Pres. GORE: Well, first of all, I respect Bill Bradley. He's a friend, former colleague, and--and I think he's a good person. But there have been two defining moments in the Democratic Party over the last 20 years. One was when Reaganomics was adopted and when President Reagan asked the Congress to vote up or down on the sweeping cuts and programs to fight child poverty, to--to try to get health care to people, to improve schools. Bill Bradley voted for Reaganomics, he voted for all those budget cuts. I did not. I've been a part of the effort to try to bring our country out of that time.

And the second defining moment was when Newt Gingrich took over the US Congress and then they tried to enact the Contract for America, so-called. And at that moment, I tried to help rally the troops, the forces of what I regard as progress, and--and Senator Bradley chose that moment to--to say that he--he was going to leave the public arena, said it was broken and said that he might even run as an independent which would have elected Bob Dole and would have given the Republicans control of both the Congress and the executive branch.

Now I--I--I think those--at--at those two defining moments, there were clear differences, but the--the other differences are ones that shouldn't be brought out in the form of grenades being tossed back and forth. That's the way campaigns have always been run. Why not have debates, and I call upon him directly in this interview to accept my challenge, to have a series of debates, high-toned, let's--let's pick out a different issue each time, notify people in advance so that schoolchildren, if they want to study up on health care or education that week, let's really roll up our sleeves and get into the--the stuff of democracy.

SCHIEFFER: OK. Let me--let me just ask you this. You say that the campaign is entering a new phase.

Vice Pres. GORE: Yeah.

SCHIEFFER: And clearly the persona you're presenting today, what you're saying about Bill Bradley makes me believe that is so. But this could not be something you planned. Things were not going well for your campaign. What is it that has made Bill Bradley so appealing this time around?

Vice Pres. GORE: Well, I think that once it became a two-person race, it was inevitable that if my opponent crossed the threshold of credibility and competence, which he did, then it would narrow and tighten and become a hard-fought close contest. It has now reached that stage. And honestly, I welcome that. I really do. I think that it's a--I think it's a healthy development. I think that the challenge now is for both of us to make of this something that helps our country and elevates our democracy.

And I'll tell you something else, Bob, with the Republican front-runner raising all this cash out there, all these big bucks, the one thing that we have going for us as Democrats is the issues. They always have more money on the Republican side. We generally have the people agreeing with us about the issues. I think the best way for us to ensure a Democratic victory in the fall of 2,000 is to have an all-out discussion of these issues and try to draw the

public toward our party, toward that discussion.

SCHIEFFER: What do you--what do you think you have done wrong? After all, you raised a lot of money, you're the sitting vice president. How did the campaign get to where it is right now?

Vice Pres. GORE: Well, I--I think we've done a lot of things right. I'm--I'm--I've learned a lot. I've enjoyed the campaign dialogue. And you know, what are--what are campaigns for? They're for the constant renewal of our democracy. They're for giving people a choice. They're also about transformation. And I'll tell you, starting about a month ago, I began to--to hear the--the music of this campaign year and connect with the American people in a new way. And what they want to hear about is not the horse race or the tactics or anything like that. What they want to hear about is how we can make their lives better. How we can bring about revolutionary improvements in our public schools, get health care to every child, continue growing the economy, rekindle the spirit of America. Those are not just phrases. People yearn for that. They want to see a process of transformation of the kind that our founders intended to take place in presidential elections.

SCHIEFFER: OK. We'll talk about those things. Let's take a little break. We'll talk about those things, about George Bush and some of the other issues in this campaign when we come back in just a moment.

(Announcements)

SCHIEFFER: We're back at the Public Market in Portland, Maine, with Vice President Gore.

Mr. Gore, this week George Bush, the Republican front-runner, separated himself f--from the Republican Congress. He said, 'If their budget plans--I hope they don't try to balance the budget on the backs of the poor.' Any response?

Vice Pres. GORE: Well, in the Republican Party today, I think it's obvious the right hand doesn't know what the far right hand is doing. I've been--I've been using that line for a little humor but I think that it really kind of played out in reality this week. But what's interesting is that he still endorses this huge risky tax scheme that would completely blow the surplus, put us right back into deficits. And that's what's driving all of these irresponsible slashing cuts for the working poor that--he's now differed with them on one little detail. If he really wants to try to--to--to break with them, he ought to endorse our health-care Patients Bill of Rights. He ought to endorse an increase in the minimum wage for the working poor. And he ought to come out against this huge risky tax scheme that would devastate Social Security and Medicare.

SCHIEFFER: Speaking of Republicans--Bill Bradley says that he can attract Independents and Republicans. And he says that's what it's going to take to win the presidency next time out. Do you think he's right about that?

Vice Pres. GORE: I think that--I think that's what campaigns are for. And in every campaign I've run, I have been able to attract people who are Independents and independently thinking Republicans along with Democrats. But I think that the campaign is a contest, not only of people and candidacies but of ideas and agenda and I think...

SCHIEFFER: Is he more liberal than you are, Bill Bradley?

Vice Pres. GORE: I think the--I think the old labels are--are kind of shopworn. As I mentioned, he voted for Reaganomics and--and I did not. There are plenty of other examples but I think those old ideological labels are--are less meaningful than they once were.

SCHIEFFER: One other politician I want to ask you about, Governor Ventura, of Minnesota.

Vice Pres. GORE: Yeah.

SCHIEFFER: He said this week that organized religion is a sham, called for

legalizing prostitution, I think, and--and made some other controversial statements. In light of that, do you think he is still a serious factor or will be a serious factor in the coming campaign?

Vice Pres. GORE: You know, I didn't read that interview, so I can't really comment on...

SCHIEFFER: The one in Playboy.

Vice Pres. GORE: Correct.

SCHIEFFER: That's where he gave the interview.

Vice Pres. GORE: Correct. Did you read it?

SCHIEFFER: Yes, it's part of my research.

Vice Pres. GORE: OK. You bought it for that article, didn't you?

SCHIEFFER: Yes.

Vice Pres. GORE: Well, anyway, I think that he is an entertaining guy. I've met him, I guess, a couple of times. And, you know, I understand his appeal. And I think that his appeal has been so different and unconventional that I wouldn't want to venture a--a--a judgment like the one you invited me to make because his appeal has been unconventional all along. So seems like a an interesting fellow. I disagree with his views, especially the ones that you quoted there.

SCHIEFFER: Let's talk about your friend, Bill Clinton. A lot of people remember that Saturday afternoon--I remember it very well--when the House voted to impeach the president. You went to the White House lawn and said, 'This president will be remembered as one of the greatest presidents in history.' Do you still believe that?

Vice Pres. GORE: You know, look at the economic record, Bob. We've gone from the biggest deficits to the biggest surpluses. We've gone from a triple-dip recession to tripling the stock market. Instead of quadrupling the debt, we've seen the creation of 20 million new jobs.

SCHIEFFER: So you still stand by the statement.

Vice Pres. GORE: Let me--let me set the context for you from that afternoon. The Republican Senate was about to try to remove him from office for an offense, which, while terrible, was in the judgment of the American people not one that justified removal from office. We were in the midst of political combat, and I think that fighting back to try to prevent a political injustice from occurring justifies drawing the line in the sand and saying, 'Hold on here.'

SCHIEFFER: Well, now...

Vice Pres. GORE: 'Look at the great achievements that we have.'

SCHIEFFER: That's--that's an interesting statement. And I want to go over this now. So as we come into the coming campaign, do you want people to believe that you were simply making a political defense...

Vice Pres. GORE: Oh, I think that...

SCHIEFFER: ...that this was not something that was coming from the heart, that he was a great president? It shouldn't be taken literally?

Vice Pres. GORE: I think--I think that he is. No, I think that he is. And I think that in the context of that political combat, it's especially important to point to these achievements. Look at what happened during the Reagan-Bush years and contrast it with what has happened after six and a half years of the Clinton-Gore administration. It--it's...

SCHIEFFER: Do--do you believe there...

Vice Pres. GORE: ...one of the biggest economic turnarounds in the history of the United States.

SCHIEFFER: Do you believe there is such a thing as Clinton fatigue? In other words, that one of the things that may be harming your campaign is people

are  
simply tired of the Clintons and they see you as part of that  
administration?

Vice Pres. GORE: Well, I'm counting on Clinton fatigue fatigue. I  
think  
people are tired of the questions about that because they want to turn  
the page  
and look to the future. And what I hear people talking about is, 'What's  
coming  
up next? What--what--what is the plan for keeping our prosperity going?  
How can  
we bring change that works for working families? How can we expand  
access to  
health care to every child during the next president's term?  
How--how--how can  
we bring about truly revolutionary improvements in our schools in an  
information  
age when it's more important than ever?'

SCHIEFFER: Do you believe, though, that perhaps the president's  
behavior may  
have sort of degraded the office, in a sense that he may have lowered the  
bar to  
the point that that's the reason a lot of these professional celebrities  
are  
saying, 'Well, maybe I ought to run for president?'

Vice Pres. GORE: Oh, I--I mean, I thought that--you know, if you look  
back,  
that's happened previously. As I've said in the past, I did--I do think  
that he  
damaged the office, but I think that he's recovered from that. And I  
think that  
the American people put that in a--in a broader perspective. But--but,  
you  
know, this election in the 2000--in the year 2000 is not about Bill  
Clinton.  
It's not about the past. It's about the future. And one of the reasons  
why I  
welcome the new shape of this campaign and the--the chance to have  
vigorous  
debates and a discussion of the ideas and elevate our democracy is that I  
think  
that frankly gives me an even better chance to--to define my candidacy,  
in terms  
of what I'm saying to the American people as a candidate for president,  
not as  
someone who is vice president and defined in those terms. I think that  
making  
that transition...

SCHIEFFER: So how are you different from the president?

Vice Pres. GORE: Well, we have completely--we're different people, as  
any  
two people are different. And more importantly, in the year 2001, we're  
going  
to face completely new challenges that demand completely new solutions.  
And  
that--that's--that's what I've been talking about during this campaign.

SCHIEFFER: I want to ask you just a personal question. When Senator  
Moynihan, one of your colleagues in the Senate, certainly one of the most  
respected people in the Democratic Party, endorsed Senator Bradley. And they  
asked him why he wasn't endorsing you, he said, 'There is nothing wrong  
with Mr.  
Gore. He's just unelectable.' Did that hurt?

Vice Pres. GORE: Listen, I respect him. He's earned the respect that  
he is  
granted. Obviously, I disagree with that assessment. And that  
assessment is  
not one for any individual to make. It's for the voters to make. And  
anybody  
who tries to take this choice away from the voters is going to be in for  
a sharp  
surprise, because the American people are--are starting to listen  
carefully to  
what's going on in this campaign, because they care about our democracy.  
They  
care about our future, and they don't want any pundits or would-be  
profits or  
professional politicians saying, 'Here's what's gonna happen. You don't  
need to  
even participate.' The American people are gonna take this campaign back  
for  
themselves, and they're gonna make the decision about who's best to--to  
lead  
this country in the future.

SCHIEFFER: Well, I was very touched when you made a speech at the  
Democratic  
Convention when you talked about your sister dying of lung cancer. And  
you said  
you intended to pour your heart into stopping people from smoking, words  
to that  
effect.

Vice Pres. GORE: Yes.

SCHIEFFER: And then this year, you hired as your top media adviser a man who was the chief strategist for the tobacco companies and designed their campaign ad, the purpose of which was to kill the anti-smoking legislation. Why did you do that?

Vice Pres. GORE: He severed all connections with--with that firm and he's moving to Nashville. And, you know, again, this is inside baseball...

SCHIEFFER: But if--if--if I may interrupt, Mr. Vice President? As a matter of fact, I understand that he didn't sever all connections until last week...

Vice Pres. GORE: No. He severed all connections with...

SCHIEFFER: ...when The New York Times asked him if he was still connected with it...

Vice Pres. GORE: No. No.

SCHIEFFER: ...that he had been making commercials that could be used to try to dissuade the government from filing suit against him.

Vice Pres. GORE: No. No, that was long--that was long in the past. And he severed any connection with those clients immediately when I hired him. And now he's severed the last connection with the company. But, see, this is all inside baseball. I mean, companies...

SCHIEFFER: Well, not really. I mean, that's not really, because does that mean that you might put someone from the tobacco industry in your Cabinet?

Vice Pres. GORE: No. No, it doesn't. An--and, you know, people who are professionals in--in helping you with accounting or helping you with some other professional task, what clients they had in the past--I mean, people don't care about that. People care about what is the agenda, what are the issues, what are your opinions? How are we going to make this a better country and bring change that works for working families?

SCHIEFFER: And there we stop. Thank you very much, Mr. Vice President...

Vice Pres. GORE: You're welcome.

SCHIEFFER: ...for being with us. We'll be back with a final word in just a second.

(Announcements)

LANGUAGE: English

LOAD-DATE: October 4, 1999

98 of 142 DOCUMENTS

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Federal News Service

SEPTEMBER 30, 1999, THURSDAY

SECTION: CAPITOL HILL HEARING WITH WHITE HOUSE PERSONNEL

LENGTH: 15768 words

HEADLINE: HEARING OF THE SENATE FOREIGN RELATIONS COMMITTEE  
SUBJECT: CORRUPTION IN RUSSIA AND FUTURE U.S. POLICY  
CHAired BY: SENATOR GORDON SMITH (R-OR)  
WITNESSES:  
PETER REDDAWAY, GEORGE WASHINGTON UNIVERSITY;  
THOMAS GRAHAM, JR., CARNEGIE ENDOWMENT FOR INTERNATIONAL PEACE;  
JAMES FINCKENAUER, RUTGERS UNIVERSITY  
419 DIRKSEN SENATE OFFICE BUILDING  
WASHINGTON, DC

BODY:

(In progress due to late feed from source) -- have been over the last seven or eight years. President Yeltsin, Mr. Chubais, Mr. Gaidar, Mr. Nemsov, these are

the politicians who are at the moment most distrusted and often hated out of all the politicians in Russia.

Looking to the future, my four points are as follows, and they derive from what

I just said about the past: We should, in my opinion, as a country and a government, we should stop doing what we've been doing for the last 14 years,

and especially since 1991, which is advising Russia in a rather insistent way on how to run their internal affairs.

Most of our advice over the last 14 years, and especially the last eight years,

turns out to have been inappropriate or even downright wrong. Most of the outcomes, in my opinion, have been unfortunate or even tragic. But first, of

course, in the early '90s, the Russian government very much sought our advice, wanted our advice. That situation has changed in the last two or three years.

They show less and less interest in our advice and increasing interest in opposing us in various regards.

My second main point about the future is that we should, rather than go on

giving advice and lectures to them, which has been the hallmark of our policy

over the last eight years, we should, rather than doing that, open our minds and

listen. The key word is listen carefully to the internal debates that the Russians are now deeply into, and will be into for the foreseeable future, over

why their system has entered into this acute crisis of legitimacy and how they,

the Russians themselves, think that they may be able to come through and get out of their crisis.

My third point is that after doing a lot of listening, we ourselves -- listening to the Russians -- we ourselves should extend our current and long-delayed debate about what has been wrong with our Russian policy and turn

it into a debate about how, in light of the Russian debate and of our own national interests, of course, we should radically reshape our policy towards

Russia. The final stage of that debate should involve frequent consultations with the Russians.

At the present stage, I might mention in passing, the Carnegie Corporation of

New York is just launching a major Russia initiative which should come to fruition about a year from now. And we will be sharing the results of that

project with the Congress through a variety of channels. And Mr. Graham and

myself are somewhat the leaders of that Russia initiative.

And my fourth point is that for a limited time, perhaps a year or so, we need,

in fact, to a certain extent, to disengage from Russia. At the same time, we

need to explain carefully to the Russians why we are partially disengaging and

make it clear that we plan to re-engage on a more full scale as soon as we have

listened to their debate and carried out our own debate and entered into consultations with them as to what the future pattern of our relations can most

fruitfully be.

Those are my broad points. Let me say why I think this is an especially critical turning point in U.S.-Russian relations. Some of the reasons should be

clear from what I've said, but let me add an extra dimension. The danger does

exist, in my opinion, that if we are not extremely careful, Russia could conceivably at some point in the next few years again turn into a rogue state.

Russia was a rogue state for 70 years under communism. We didn't use the term

at that time, but that is, in fact, what it was. Now, in my view, history is

not very often a linear process, and especially that is true when it comes to

Russia. In the period from 1860 until 1917, Russia was steadily integrating

itself into the western world -- economically, politically, socially, culturally

and so on. Then, when we thought that Russia was more or less part of the western world, suddenly, in 1917, what did it do? It pivoted 180 degrees and

shot off in a totally unexpected direction, which was the exact opposite. Instead of embracing democracy, it embraced totalitarian dictatorship.

Instead of becoming part of the world capitalist system, it became a closed state socialist system.

Well, by the late 1980s, the Russians had tired of totalitarianism and state

socialism, and they were interested again in democracy and free markets. In

1991, they threw off communism and they embraced what is often called shock

therapy as a strategy for economic reform or the Washington consensus; again,

the goal, to integrate themselves into the world community and world

economy,  
the world political system, international organizations and so on.  
However, that strategy of shock therapy and Washington consensus has  
turned out  
to be -- and some of us warned that this would happen from the start --  
not  
suitable for Russia. And it explains why Russia has landed in the present  
unfortunate situation with perverted and criminalized forms of economic  
and  
political system.

As a result, most Russians are alienated today from the Russian state  
and, to a  
considerable extent, from capitalism, and even, to some extent, from  
democracy,  
because of the perverted forms that those important institutions have  
taken in  
Russia. Today Russia is divided socially into a very small layer of  
haves,  
political and economic haves who lead lives of conspicuous consumption, a  
small  
layer of middle class, and the great majority of the population who are  
have-  
nots economically. Forty percent live in poverty even by the Russians'  
low  
standards of what poverty is, and they have no effective political or  
labor  
union representation.

In these circumstances, it is not impossible that Russia might make  
another  
180-degree pivot, as it did in 1917, and instead of continuing to engage  
itself  
and integrate itself in the world community, it might shoot off in some  
other  
direction. That is the ultimate danger that our Russia policy is called  
upon to  
face.

When we rethink our Russia policy, we need to face unpleasant facts, as I  
mentioned before. Anti-Americanism is now a big feature of the Russian  
scene.

The politicians we are closely associated with -- Mr. Gaidar in the  
latest poll  
has the trust of 2 percent of Russians and the distrust of 81 percent of  
Russians. Mr. Chubais has the trust of 3 percent of Russians and the  
distrust  
of 85 percent of Russians. Mr. Yeltsin has the trust of 2 percent of  
Russians  
and the distrust of 90, 9-0, percent. These are the politicians that we  
are  
associated with in the minds of ordinary Russians.

Well, I do not think, as I hope I made clear earlier, that it is  
appropriate  
for us at this stage to put out even a tentative blueprint of what our new  
Russia policy should be. Let me conclude with a few very broad  
principles that  
should guide us, in my opinion, for the interim period.

We should not continue to meddle in Russia's internal political  
processes and  
their top personnel choices, as we have done over the last eight years.  
We  
should not lecture the Russians. We should not allow the IMF to send  
large  
quantities of cash to Russia, because it is too uncertain what would  
happen with  
that cash. We should not collaborate extensively with their law  
enforcement  
agencies, because those agencies are unfortunately too corrupt and  
unreliable.

We should, on the other hand, maintain low-key but large-scale cultural  
and  
educational programs with Russians, especially young Russians. We should  
continue the Nunn-Lugar program as long as it is politically feasible to  
do so.

We should prepare to help the Russians in the various humanitarian and  
Chernobyl-type crises that are likely to arise in the coming years.

I hope that the Congress will develop close relations with the new Duma,  
which  
is set to be elected in December of this year. We should try to develop  
trade,  
as far as possible, providing it is on a transparent basis. And, of  
course, we  
should not lose sight of our national interest, which means openly, more  
openly  
than over the last seven or eight years, telling the Russians when their  
behavior is something that we are not prepared to tolerate.

Mr. Weldon in the House has taken a strong lead on this. I very much  
support  
him, and indeed all of his policy suggestions vis-a-vis Russia. I think  
he has  
a very well-thought-out program that involves being open and frank and  
direct  
with them when they do things that we are not prepared to tolerate.

Thank you, Mr. Chairman.  
SEN. SMITH: Dr. Reddaway, I think you've been very helpful. I think  
you've  
just stated, as one of your principles -- as we listen to them, we draw  
back and  
we listen to the Russian people generally in their political debate to

their solution, how they get out of it. What do we do with IMF money in the meantime?  
Do we -- I think you said don't be just handing over cash.  
MR. REDDAWAY: Right. At the moment, the IMF does not intend to actually hand over any cash, but it does intend to go forward with the present loan. They just transfer the money from one account into --

SEN. SMITH: Into another.  
MR. REDDAWAY: -- the account through which the Russians are paying back previous loans. That policy itself is open to question, in my view. But at the very least, in my opinion, the U.S. government should put pressure on the IMF not to hand over actual new sums of cash; as I say, not on the agenda at the moment, but just to keep that in mind.

SEN. SMITH: When Russia shot off in an unexpected direction in 1917, it did so under the guise of a new ideology, obviously, communism. Should they do that again, what do you think that guise will be under? What will the political drapings be? Will it just be a fascist situation?

MR. REDDAWAY: I don't think it would be any sort of return to communism. I rule that out. I don't think it would be fascism. There's been a lot of very good, thoughtful work done by Russian and western scholars examining the reasons why fascism as such is not actually very suitable for the Russian political culture. It's to do with the fact that the Russians have always really been a multinational people, a multiethnic people. And fascism doesn't go very well with that.

SEN. SMITH: Are the Russian people capable of really turning to the West? I mean, is Russia -- is it part of the West? Can it ever be part of the West? Or is it a nation caught between two continents?

MR. REDDAWAY: It has had an ambivalent attitude toward the West for the last three centuries. And the debate about Russian national identity has been going on all of those three centuries. The tragedy, and one of the reasons why my co-author and I have named our book "The Tragedy of Russia's Reforms," is that in 1991 it appeared that there was a very good chance that Russia would at last adopt a decisively western identity. They were extremely open to us. They were wanting to join our world economy. They were wanting to become democratic in the way that the West was democratic. There was a unique opportunity, if we had pursued more wise policies, to actually make a breakthrough in this three-century ambivalence that the Russians have had about the West. And unfortunately, I think, for the time being, we have blown that opportunity.

SEN. SMITH: Are we to be excused, at least, or explained by the fact that we were dealing with people who at least called themselves reformers, even though apparently they really weren't reformers; they were perhaps looters.

MR. REDDAWAY: I think the root of the problem was that we decided to go along with the ideology that is called shock therapy, or the Washington consensus. And I think that that ideology may be applicable to some countries at certain stages in their development, but it was most emphatically not suitable for Russia in 1991. And I myself argued that actually two or three months before Mr. Yeltsin adopted it. And he adopted it very much at the urging of the G-7 and the IMF and certain individuals; Jeffrey Sachs (ph) and Anders Aslundt (ph) in particular.

I think it was a profoundly flawed strategy. And the trouble was that it determined the shape of a lot of other policies outside the economic sphere. So I'm afraid we can't excuse ourselves, because we were very much involved in pressing that strategy on the Russians.

SEN. SMITH: So you think the -- I guess in our hearing last week, as we went back and forth with Secretary Talbott about whether it's even -- the debate about who lost Russia. The contention from the administration is Russia is not capable of our losing. It's not ours. And their defense was, "We were dealing with people that were democratically elected. We had to deal with them. We

were doing as best we could." But I think you might be saying --  
MR. REDDAWAY: I'm saying something different.  
SEN. SMITH: You're saying something very different, that there is a case  
to be made that Russia was lost.  
MR. REDDAWAY: Yes. Of course, I'm against the formula that we lost  
Russia,  
because the ultimate responsibility did indeed lie with the Russians.  
They  
decided to adopt shock therapy. Mr. Yeltsin decided to adopt this  
strategy,  
which was profoundly anti-democratic in its essence. He turned against  
the  
democratic support movement that had brought him to power, and he  
emasculated  
that democratic mass support. And it all came to a head in October of  
1991 when  
he dispersed the Parliament by force.  
That was -- I think those were developments that flowed, to a very  
considerable  
extent, from the adoption of the shock therapy strategy. I think we made  
a  
great mistake by allowing Mr. Yeltsin -- well, it was not for us to allow  
him,  
but by giving him advice which led to him subverting and betraying  
democracy in  
the interest of a, to my mind, false ideological economic strategy.  
SEN. SMITH: There's one final question I have. You talked about our  
need to  
stay out of Russia's internal affairs. And yet I wonder if, on the  
question of  
anti-Semitism and religious persecution, if we can afford to be quiet in  
any  
country. MR. REDDAWAY: I was wanting to put special emphasis on staying  
out of  
their, if you like, macroeconomic and political policymaking.  
SEN. SMITH: So your comments don't extend to our efforts to try to urge  
and  
incentivize religious toleration of Jews and other faiths.  
MR. REDDAWAY: They would not extend to that. I think we should speak up  
on  
those issues; again, not with an overly domineering and morally superior  
tone,  
although that can't be avoided altogether, certainly. We have this  
record of  
involving ourselves not just in economic policymaking in Russia, but also  
in  
personnel.

It was actually an unwritten condition of the IMF loan in 1995 of \$6.8  
billion  
that Mr. Chubais would be the person in charge of running economic  
policy. It  
was not written into any agreement, but it was an unspoken agreement,  
unrecorded  
agreement. But it was let out of the bag by certain people. That is the  
sort  
of meddling, the sort of attempt to direct Russian policy at the macro  
level.  
And supporting Mr. Yeltsin prior to his decision to destroy the Russian  
Parliament in 1993, we gave our permission to do that. We allowed  
democracy to  
be subverted in that way. Those are the sorts of meddling and  
involvement that  
I think have been very much against our national interest.  
SEN. SMITH: Any predictions on what direction the elections will cause  
Russia  
to go?  
MR. REDDAWAY: I think the new elections to Parliament in December, three  
months  
from now, are likely to produce a Duma that is even more hostile to Mr.  
Yeltsin  
than the present one. It's hard to know how much the support will be for  
the  
alliance of Mr. Luzhkov (ph) and Mr. Primakov. It's possible they might  
get 20  
percent of the vote, possibly even a little more. It will be a hostile  
Parliament to Mr. Yeltsin. It's possible that they might renew their  
attempts  
to impeach him, assuming he has not resigned by the time the new Duma  
assembles  
next January.  
As regards the presidential elections, I don't know if you were asking  
about  
those as well.  
SEN. SMITH: Those as well.  
MR. REDDAWAY: Those as well, in June. In many ways, those are -- well,  
in some  
ways more important than the parliamentary elections. That, the moment, I  
would  
regard as an extremely open race. The only thing I would say is that if  
Mr.  
Primakov runs, and if he does not make major mistakes between now and  
then, as  
things look at the moment, he would have the best chance of winning. And  
I  
don't think that would be bad for Russia. The reason I say that is that  
he's  
almost the only prominent politician in Russia who is believed by most

Russians  
to put the national interest above personal and private interests.

Almost all  
the other politicians, with the exception of Mr. Yavlinski and one or two  
others, are regarded as representing private and personal interests, group  
interest. And, frankly, those interests are concerned, have been  
concerned and  
still are, to plunder the Russian state for their own personal and group  
interests. It's very sad to have to say that, but that is my considered  
judgment.

SEN. SMITH: The evidence is there. Thank you, Dr. Reddaway, very  
helpful. Dr.  
Graham.

MR. GRAHAM: Thank you, Mr. Chairman. I want to take a few minutes  
simply to  
summarize the statement that I've submitted for the record. This  
committee has  
already spent a day focused on the nature of corruption and organized  
crime in  
Russia, and I would like to start with just two points on the issue before  
turning to the broader issue of U.S. policy.

First, corruption has deep roots in the historical conflation of the  
public and  
the private in public history. For most of Russian history, the state was  
either the private property of the czar or what I would call the  
collective  
property of the Communist Party of the Soviet Union. What we have  
witnessed  
since the break-up of the Soviet Union and the demise of the Communist  
Party is  
the fragmentation of the state. The central bureaucracy is much less  
coherent  
and disciplined than it used to be, but the one thing that remains the  
same is  
that key parts of the state structure remain in the hands of private  
individuals. They are privatized parts of the state and they are used  
largely  
for private gain and not for advancing the public good. This is  
fragmentation  
of a privatized state that has exacerbated the problems of corruption  
that grew  
out of the Soviet period. Corruption is pervasive now. It's more  
chaotic. The  
holders of state power are greedier. The Russians themselves have a word  
for it  
[word in Russian] -- it's a world without limits, without constraints,  
without  
rules.

This corrupt state has sent much of the wealth of the country abroad,  
and it  
has watched the GDP decline by nearly 50 percent over the past eight  
years, and  
it has watched the standard of living for the vast majority of the  
Russians  
deteriorate quite sharply. Not surprisingly, according to recent polls,  
most

Russians view the Brezhnev period, what we used to call the "period of stagnation" as a time when life was better.

The second point I'd like to make is that there are not easy solutions  
to this  
problem of corruption, and some of the remedies can be worse than the  
disease.

While we understandably want the Russian government to move quite  
aggressively  
against corruption, we need to appreciate the dangers of doing that in an  
environment where the rule of law has not been institutionalized in  
independent,  
reliable and non-politicized court system. Nor has it been internalized  
by the  
citizens as a code of conduct. Under such circumstances, the term  
"mafioso" or  
"corrupt official" could easily become the functional equivalent of  
"enemy of  
the people" of Stalinist notoriety. And if this happens, an aggressive  
anti-corruption campaign could become a witch hunt, and that, over time,  
will

serve only to destabilize Russian society, erode support for democratic  
principles, and deepen the lawlessness that we see in Russia today.

Combating corruption is going to take political will, imagination,  
patience,

and money over many years. And even then, corruption is only going to be  
tamed

-- it is not going to be eradicated. This campaign against corruption  
has to  
proceed simultaneously with efforts to rebuild the capacity of the state  
to  
govern effectively, to separate the private from the public sphere, to  
make the  
state an economic entity that works for the public good, not for private  
gain.

and at the same time, we have to instill within the citizenry as a whole  
respect  
for the rule of law. This is going to take a good deal of time.

Now, this is not counsel for moving slowly against corruption, not is it  
counsel for being lenient towards the Russian government. It is the  
counsel to  
proceed with full awareness of the difficulties involved, of what is  
realistically possible. We need to pay attention to the down sides of the  
anti-corruption campaign so we can minimize them. At the very least, we  
can,

and we should insist that the Russian government cooperate in the current

investigations.

But as Peter has already pointed out, we need to proceed with caution.

As any

Russian will tell you, the law enforcement agencies in their country are deeply politicized and corrupt themselves. And as a result, even as we cooperate, we will need to verify repeatedly the information we receive from the Russian side, and we're going to need to reassess the motives of our Russian interlocutors.

So, Mr. Chairman, how do we deal with Russia? What principles should guide

U.S. policy? Like you, Mr. Chairman, I would add my voice to those who have warned against disengaging. That is not an option given the importance of Russian. What happens in and around Russia to our own security and well-being, and to the security and well-being of our allies and partners around the world.

That said, we also need to appreciate the difficulties of engagement. To put it

simply, it takes two to engage, and the Russian government has increasingly lesser capacity to engage productively because it is fragmented and privatized.

So rather than broad engagement, which we've been practicing over the past several years, I would urge pragmatic engagement -- that is engagement on those issues that are priorities to the two sides. Strategic nuclear stability, for

example, is a shared top priority, even if we differ on the solutions.

On this

matter, engagement is both necessary and natural. Non-proliferation of weapons

of mass destruction is, however, another issue. There is a shared interest, but

the priorities that we attach to this are quite different. For us, it is a top

priority, one of the few real threats to our security over the next decade and beyond.

For the Russians, however, the immediate security threat arises from socio-economic decline in their own country, not from proliferation. And for

this reason, Russians tend to be lax on technology export controls because the

sale of technology provides desperately needed money for dealing with domestic

ills. So, the challenge for the United States is to develop way in which we can

provide incentives to Moscow to raise the priority of non-proliferation for

them. And I think that's going to mean that we're going to have to engage them

on issues of high value to them, that might be of lesser significance to us,

say, something like debt relief.

Now, I'm not saying that this is the appropriate linkage or the only linkage.

All I'm saying is that we are going to have to make some serious and tough trade-offs if we're going to engage Russia to our benefit.

Now, on the more specific issue of dealing with Russia, knowing what we do know

now about corruption, I want to make five recommendations.

First, we need to ensure the integrity of our own institutions. And I think the steps that the Congress is taking to ensure better oversight of our banking and financial system are steps in the right direction. We need to make them less vulnerable to money laundering operations.

Second, we need to continue our efforts to integrate Russia into the global economy. To succeed globally, Russian businessmen will have to adapt to the values and principles of the world corruption, for corruption is -- or at least can be -- punished more harshly than it is within Russia today.

Integrating

Russia will entail that we continue to provide properly safeguarded IMF funding

to the Russian government, at least to cover debts and moving it from account to

account, not simply handing it over to the Russian government. And I think it's

also going to require that we consider some form of debt relief -- but then

again, only in exchange for Russian commitment to move forward on micro-economic

restructuring.

Third, we need to refocus some of our technical assistance. To date, we have

spent relatively on rule of law programs, preferring to spend the money on economic reforms and business practices. I think we need to remember as we do

this, as Peter has already pointed out, is going to be on the margins. The demand for a rule of law society has to originate within Russia itself. The demand has to come from Russians themselves. At best, we can help nurture and channel these desires.

Fourth, we need to do a much better job of selling America and our values in Russia. As Peter has pointed out, over the past eight years, we have squandered a vast reservoir of goodwill towards the United States. Our close identification with an increasingly enfeebled Yeltsin, prior support for the increasingly unpopular, so-called "radical reformers," and by our unwavering support for shock therapy with a Washington consensus, for an economic policy that the vast majority of Russians believe led their country to ruin. There are two ways, at least, in which we can improve the image of the United States while imparting values to Russians in a non-patronizing fashion and laying the foundation for the development of rule of law over the longer term.

First, are exchange programs. We've already done a considerable amount in this area, and many observers have pointed out that these programs are the best pay-offs in imparting values and winning friends for the United States. As we look towards the future, I would suggest that we focus less on passing technical information and skills through these exchange programs, even in the areas of democracy building. Rather, what we need to do is give a greater number of Russians the opportunity to enjoy a liberal education in the United States.

Longer-term exchanges will allow them to experience first-hand how our society functions. They will become acquainted with the values that are essential to building an effectively functioning rule of law society. And this approach has the advantage of allowing Russians to adapt our experience to their society, to Russian conditions, rather than our telling them how they have to be adapted.

Second, are information centers. Now, Peter has said that there is growing anti-Americanism in Russia, and he's certainly right on that score. But I would also point out that there is an inviting curiosity about the United States as a successful and powerful country, and we need to play to this curiosity. One of the unsung successes of the past several years have been information centers that we have set up in major cities across Russia. These centers provide printed material and access to the Internet. And as such, they have become valuable sources of information about the United States -- both our political system and our legal systems.

SEN. SMITH: Are they highly utilized?

MR. GRAHAM: And that's the next point I was going to make. They are highly utilized, and more important, what we've noticed over time is increasing number of Duma deputies and other officials at both the national and regional level are turning to these centers for information about the United States, particularly about legislation that is under consideration in the Duma. They want to know how we do it, how it is done in a normal and successful country, and then they try to adapt those principles to their own legislation. And this, I think, is a way in which legislation within Russia has improved over time. So, I think as we move forward one of the things we might consider is expanding the collections at these centers, and also expanding the network across Russia.

The last point I'd like to make is that as we proceed, our senior officials of this administration and any future administration should seek to establish what

I would call a respectful distance from their Russian counterparts. The problem was not that this administration over-personalized the relationship with Yeltsin -- although that in fact did happen -- but rather that a relatively small circle of senior administration officials entered into what I would call a partnership with a similarly small circle of senior Russian government officials for the purpose of transforming Russian society.

Like all partnership, this one required a high level of interaction, and

a high degree of trust among the individuals involved. And the result was that senior administration officials were tempted to turn more to their Russian partners than to the intelligence community and the Foreign Service for insight as to what was happening in Russia and how to proceed. Moreover, the success of their partners became critical to the success of the enterprise itself. And slowly, the political survival of specific individual -- Mr. Chubais in particular -- became a symbol of the success of the overall reform effort. This close association with Russian senior officials led to a grave misreading of the political situation, which led to the administration's being caught off guard by the financial collapse of August 1998.

Now, this example that senior administration officials set I think had a pernicious influence down the line. Lesser government officials began to see their Russian counterparts in a similar fashion, as partners and not, first of all, as representatives of a foreign government with its own motives and its own agenda. And as a result, over time, we as a government tended to see Russia through the eyes of our official Russian partners, who had a vested interest in persuading us that they alone knew what was happening and what needed to be done.

To guard against this tunnel vision, I think we, as a government, need to engage a broader range of Russian contacts in serious discussion. There are, of course, limited possibilities for senior officials, with the press of time constraints. But what we need to do is utilize the maximum, the opportunities afforded to embassy and consulate officers, and official Washington visitors to engage Russians, not only to argue our point of view and to represent our interests, but as Peter has said, to listen attentively to what they are saying about their own country, about where it is headed and what needs to be done.

This is a task that we have not taken seriously enough to date, but it is critical to the success of our policy, and I think we need to begin to do a much better job in this regard.

Thank you, Mr. Chairman.

SEN. SMITH: Thank you. You've been very helpful. I wonder if you can speak to some specifics. You had some great suggestions, but in our hearing last week we were trying to draw out, you know, what's gone on, really, in all of this. And the former deputy assistant director of the FBI in charge of criminal investigations, Jim Moody, testified before this committee that a Russian law enforcement official he spoke to estimated that 90 percent of his officers were corrupt. How can the United States collaborate with Russian law enforcement and security services if large numbers of them are just simply corrupt? I mean, I love your idea about more and more engagement, but it seems to me in part the Clinton administration has tried to engage -- and I'm saying this as a Republican, trying to be fair -- they've tried to engage, but they've met, they've met with folks whose motives are not to the benefit of the Russian nation.

MR. GRAHAM: Yes. The point that I would make on that is that if 80 percent are corrupt, then there is a 20 percent is not corrupt. And the real challenge for us as we try to engage Russia is to find those 20 percent -- I would suggest that it's somewhat more -- who do have an interest in building a non-corrupt, or dealing with corruption, in an equitable fashion in Russia today.

SEN. SMITH: Well, we'd have to be careful, because it seems to me that it may allow sensitive information to get to criminal hands.

MR. GRAHAM: No -- obviously, so this is why I urge, we have to treat these relationships with extreme caution. We have to know whom we're dealing with. But simply not to engage because of the possibility of the leakage of information, I think is the wrong approach.

What we need to do is to check as carefully as we can who we're dealing with, proceed cautiously as we develop the level of trust that we need to in order to engage productively across a range of issues, particularly in criminal investigations.

SEN. SMITH: I think that's right. It's alleged that the intelligence community and our diplomats in Russian were discouraged from fully airing

information about systematic corruption in Russia. Now, you spent some time there, you can tell us whether that's the case or not. They were discouraged from giving information about the lack of transparency in the Gore-Chernomyrdin Commission.

Is that fair? Is that accurate?

MR. GRAHAM: I would argue that that is not an accurate picture of what the embassy did, at least. I can't speak to the intelligence community, but you've had people here who could address that issue. My experience in over three years of supervising all reporting on domestic political matters in Russia is that there was no systematic attempt to prevent us from sending back what we thought needed to be sent back -- no matter what

official it concerned, no matter what the charges were, whether it be corruption or something else. That said, you have to remember that as government officials and embassy officers, we had a responsibility, I think, to be quite careful and cautious in the way we treated specific allegations against specific individuals. We, as Foreign Service officers, did not have the ability, I would say, to investigate these charges fully. They were rumors. And what we tended to do was present these as rumors back to Washington in the hopes that there was someone else in our government -- whether it be in the intelligence community, the FBI, or elsewhere -- would find this a useful piece in a puzzle that they were trying to put together. But we were always very careful to give some assessment of the source and what we thought might be the possible validity of the information.

The second point I would like to make is that for most of the time that I was in Moscow, I had the authority to sign cables out of the embassy. I did not have to give them to the ambassador for prior review. And I can tell you that we sent out what we thought needed to be sent out, and at no point did the ambassador come back and say "Stop sending that information back to Washington, they don't want to hear it." We were encouraged to do that. The point I would like to make on the Gore-Chernomyrdin Commission is that I think this falls into a somewhat different category. The problem with the Commission was not so much its original design. I think it served a useful purpose in bringing together government officials on both sides to discuss a range of issues that were of interest to both governments. And there were some I think productive and useful exercises, particularly in working on some business exchanges within that commission.

The Commission, however, came to meet too frequently, and anybody who has served at an embassy knows that when you are bringing over hundreds of senior U.S. officials, eight or nine Cabinet officers, all demanding the attention of a senior administration official, that this is a tremendous burden on an embassy. We would have to close the embassy down for other business by and large three to four weeks before these delegations arrived. Obviously that puts a limit on what we can do in our real job, which is interacting with the Russian society. It puts a limit on what we can do on reporting on Russian society.

So I think the frequency, and also the nature of high level meetings like this that is to look for success stories, ultimately had a pernicious influence on the reporting out of the embassy. That's not to say we shouldn't have done it;

I think we should have done it. But we should have stretched out the time between sessions and had them not on so much on a regular basis, but ad hoc when

there was real business to be discussed and business to be concluded. SEN. SMITH: Can you state to -- the IMF managing director told the Washington

Post in February 1996 that in a real sense the IMF was financing Russia's military efforts in Chechnya. Do you think that's accurate?

MR. GRAHAM: I think you've already had a discussion over whether money is fungible or not -- (laughter) -- and I think that's the point that I would make.

I mean, obviously the Russian government chose what to do with the money. You will never be able to demonstrate that there were bills that were received from the IMF that were spent on the Chechnya effort. Clearly I think we should have been much harsher in our judgments against the Russian government at that time.

It was a time when it was probably wise, for again political reasons, to

withhold a tranche of an IMF agreement, precisely because we knew that money was fungible, and that any money that we put in at that time would allow the Russians to use other sources to conduct the war against Chechnya.

SEN. SMITH: What should our policy be with respect to Russia and Chechnya,

Russia and Kosovo in providing financial resources?

MR. GRAHAM: The Russians have a tremendous problem in the north Caucasus now --

it's not only Chechnya, but it's Dagestan, it's elsewhere. I think unfortunately they are going down the wrong track in seeking a military solution

to what is largely a socio-economic problem.

Of course the problem is that Russians don't have the resources in order to

engage in a broad political and socio-economic program aimed at pacifying the

region by giving the people of that region reason to stay with in the Russian

Federation.

I also think that you have to see this crisis within the context of the broader

Caucasus. It is not only instability in Russian regions, but there's instability in Georgia, Armenia and Azerbaijan. And I would submit that

there is

no solution to Chechnya outside of a broader solution to the whole

Caucasus

situation. And what is probably called for at this point is something

along the

lines of an international conference on the Caucasus, where we bring together

the leaders and the political actors -- both Russian and the trans-Caucasian

region, Chechen leaders, Dagestani leaders and so forth -- and look to see whether it's possible to make broad trade-offs that will satisfy both

sides.

Clearly for this to succeed it's going to require financial resources, and

that's where the West comes in. We are the only people who have the resources

that could be used for a solution of this kind. Now, I don't know what the details are of it, but as I said I would submit that solving this problem

simply

between Russia and Chechnya is impossible at this point. Our national security

does I think call for stabilizing the region, and I think it's at least worthwhile pursuing this option at this point to see what can be done.

SEN. SMITH: Thank you very much, doctor. I appreciate so much your testimony.

Dr. Finckenaue, we appreciate your being here and we look forward to hearing

your views on how we deal with corruption.

MR. FINCKENAUER: Thank you very much, Mr. Chairman, and thank you for giving me

the opportunity to speak with you today. I certainly agree with your comment at

the outset that this is a very important and timely topic.

I would like to divide my presentation roughly into three areas, and some of

what I will say will echo what my two colleagues have already spoken about. I

think it's important to have a little bit of a historical overview to give us

some context for understanding what's going on today. I will talk a little bit

about the current state of affairs, and then also offer just a few recommendations for some future strategies and policies.

With regard to this history, I think it's important to understand that what we

see called today "crony capitalism" and "patrimonialism" -- not only in Russia,

but also in other of the former Soviet republics -- are not new phenomena. And

I think it would be wrong and remiss to assume that this kind of sort of symbiotic relationship among crime and the government and the economy all

began

after the collapse of the Soviet Union in 1991. As I think Professor Reddaway

alluded to, corruption and corrupt bureaucrats in Russia go back to the time of

the czars.

What's particularly important to understand about the historical period is that

so too does a very blase attitude about the legality of stealing from the state

as being accepted as normal behavior. And I think it's important to understand

that that very much I think shapes the kind of mentality that exists in Russia

today, given the economic situation and the corruption situation.

SEN. SMITH: Doctor, Secretary Talbott was here, and he said last week, and I

quote, "Russia's current problems with crime and corruption are different from the corruption so entrenched in the Soviet Communism.

Indeed, today's problems are a result of an incomplete transition to democracy

and market reform." I think you're saying that isn't the case.

MR. FINCKENAUER: I think they are different in the sense of the

differences in the economy that exist today and the opportunities for corruption that exist today. I don't think they're different in the sense of a mentality about taking advantage of opportunities and in a sense having a sort of historical perspective to this.

I think also the elements of the history are -- we have the role of organized crime that began very early in the Soviet Union, the linkages, the growth out of the gulag system of organized crime. We had the Communist Party that took on the trappings and characteristics of a sophisticated criminal organization. And then we had, as was also mentioned, the Brezhnev period in particular in the Soviet Union was a period in which corruption sort of rose to its zenith. So we see certain I think historical legs that provide the foundation for what has happened in Russia since 1991.

I think a critical characteristic of that Soviet period, of what the Russians call "blat." It means use of informal personal networks to obtain goods and services that are in short supply. And as we will remember, lots of things were in short supply in the Soviet Union.

If we draw a contrast with the United States, and my area of specialty in criminal justice is organized crime, and I spend a lot of time studying organized crime in the United States -- we see that organized crime arises principally to provide goods and services that are in demand, that are either illegal or they are in short supply because they are being regulated. What we saw in the Soviet Union was that the response to this shortage of goods and services was a black market, a shadow economy, and this system of blat, this system of informal social networks and connections.

SEN. SMITH: How do you spell that word?

MR. FINCKENAUER: B-L-A-T.

SEN. SMITH: Blat.

MR. FINCKENAUER: Blat. And I think it's that -- sort of that foundation which has evolved into what we see as today's more formal or more say sophisticated higher level kind of corruption. Things like insider trading, preferential licenses, rigged auctions, illegal banking of state funds -- all new examples of this same phenomenon, this phenomenon of blat.

I just recently read a book called "Collision and Collusion," by Janine Wydell (ph), in which she talks about how the informal networks in Russia and Ukraine and also in Eastern Europe diverted and subverted massive amounts of the Western aid that came into Russia, has come into Russia and Ukraine in the 1990s, because it got linked into this personal network system that people were accustomed to. This was the way they did business, this is the way thing operate in the Soviet Union.

In the work I am now doing in Ukraine I see some of the same practice. But I think it's what we would call cronyism, and the people that I deal with in Ukraine, they see nothing wrong with this. They don't understand that we are looking to develop for example a merit based system to award grants to researchers or to award internet contracts. They want to deal with the people they know because they trust them, because they have some track record with them. And it's not hard to see how this can get elevated to a much larger scale and bring in many, many more people who don't essentially see this as wrong. This is the way we do business, and this is the way sort of interpersonal trust operates in this area.

And I think that, you know, as other people have said better than me, we need to understand this history, we need to look at the impact of that history on what we have done, and also need to draw lessons for what we do in the future and learn from that experience.

As my colleagues have also said today, in Russia we see a very feeble commitment to the rule of law, and maybe "feeble" is overstating the commitment.

And in part it flows from the kind of background that I just sketched out. Whereas in much countries of the world crime is something that is outside the state and the society and sort of in opposition to them, in Russia crime is inside the state and the society. It's insidious. It's pervasive. But it's also mainstream in a way that we in the West don't quite understand. The kind

of centrality if you will of official crime and its relationship to what is taken to be normal political activity is I think a carryover of this blat system that I described.

As a result of this we see in Russia state institutions that are very protective of their own vested interests but are very negligent and deficient when it comes to defending the interests of ordinary Russian citizens.

One of the results of this is to breed disrespect and distrust of legal and political institutions among the Russian people. And it also opens the door to opportunities for Russian organized crime, because what happens is when the state falls down on its job of providing protection and employment and social services, other mechanisms begin to move in to fill that gap, and Russian organized crime is one of those mechanisms.

To give you another Russian word, there is a word "kretya." (ph) which in Russian means roof. Practically every business operating in Russia today has to have a kretya (ph) or roof. This is a form of protection, a form of insurance if you will, to protect businesses from extortion. Now, why is there this role for the kretya (ph)? It's because the state and the state institutions do not have either the will or the capacity to protect businesses. So for example if somebody wrongs you in a business deal, who do you go to in order to get redress of your grievance? There is no mechanism to go to. There is no mechanism that is trusted by Russian people and by Russian businesses, so they turn to organized crime to resolve that. And what that does is simply to continue to promulgate and strengthen the role of organized crime in Russia.

SEN. SMITH: Doctor, is that -- can that explain perhaps why an American businessman named Paul Tatum was slain over a dispute over a hotel and his -- we may never find out who did that -- is that what you're telling me?

MR. FINCKENAUER: That's correct. Let me put on my social scientist hat and say I think that's a plausible hypothesis. Given that we know that these kinds of activities go on, and given that we know organized crime is in fact being paid to protect the interests of businesses, it is not hard to make the next step to say, Well, was this some step in protecting somebody's business interests? It is certainly as I say a plausible hypothesis.

It is not -- one other thing about these so-called kretyas (ph), often they're made up of police types who may be active-duty police officers who are working in protection rackets -- and I'll call them rackets -- on the side as a way of making extra income. They may be ex-KGB types who have you know skills in the areas, or they simply may be traditional organized crime types. But it's a pervasive operation that permits the kind of -- that permits business and facilitates business practices to continue.

SEN. SMITH: You're not describing a system that is going to attract a lot of U.S. or European capital.

MR. FINCKENAUER: No, I don't think so. I think that early on there was a naive and an ignorance about the way business was done in Moscow and elsewhere

in Russia, and I think you know American businesses, as they are oft to do, looking for opportunities -- they are entrepreneurs, they were looking for opportunities. But I think there have been some hard-learned lessons out of the last 10 years of trying to bring business practices into the Soviet Union.

SEN. SMITH: But if it is as pervasive as you suggest, it doesn't sound to me -- I mean, maybe I should be more pessimistic about it -- I have tried to remain

optimistic. I am not sure I should be at this system of blat. And what was the other word? MR. FINCKENAUER: Kretya (ph).

SEN. SMITH: Kretya (ph) -- if that's the way it's done. I mean, there are other places to invest, and --

MR. FINCKENAUER: But if I could -- if I jump ahead to propose an alternative, I think that the kretya (ph) system, the roof system, the protection racket system, is related to the weak role of the state.

So therefore one needs to think about how do you begin to build -- and my colleagues have already mentioned -- a rule of law? How do you build a viable judicial system and legal system that would provide the avenues for businesses to turn to if they have grievances or if they have other problems that they want to be worked out? I mean, that's obviously the way we do it in the United

States; we don't turn to organized crime -- or at least most of the time we don't -- to resolve those kinds of disputes. So one is related to the other.

And I think that the development of the legal system and the judicial system is very much intertwined with the attempt to develop a viable economic system. And among the aspects of that development is trying to do away with this kretya (ph)

system -- do away with the need for that kind of a --  
SEN. SMITH: Is it fair to say though that this existed even with a dominant heavy state of the Soviet Union, central planning? This existed anyway, because even that state, even though to the outside world it was a powerful, centrally-planned superpower, it was really a very weak state when it came to protecting its citizens, and therefore this kind of thing predated the collapse of Soviet Communism.

MR. FINCKENAUER: But I don't think you had this kind of kretya (ph) system in the economic role. You had a black market and you had a shadow economy, but by and large those were permitted by the state, because the state well knew that the state economy was unable to meet the needs of the Russian people. So --

SEN. SMITH: It's just grown.  
MR. FINCKENAUER: -- they sort of allowed, if you will, this black -- not only allowed, but in part benefited from allowing the black markets to exist. But

now we see this explosion of other kinds of economic enterprises that didn't exist before, and it's those -- I mean, you have pizza joints for example -- I had a colleague who was standing on a corner in Moscow and just looking around, and she said to me every one of these businesses, including this local little pizza place, is paying a kretya (ph) in order for them to operate. I had another colleague describe to me how an individual that he knew set up a small kiosk basically -- literally on the sidewalk in Moscow -- selling rugs that he was bringing in from Central Asia. He very quickly was approached by some individuals who said to him, This is our territory. We will in effect allow you to operate on this corner or in this area in return for 10 percent of your profits. When this same friend of mine talked again to his colleague, who is still in the rug-selling business, this percentage had grown to 80 percent. So

this is the example now.  
So the challenge to the business person is: How much is that 20 percent worth to me? Is this still a viable business that I will pay the other 80 percent simply to be allowed to operate? But the point is that the individual has nobody to go to. There is no recourse. Who does he go to to complain about

this, that is actually going to come in and take action? No one.  
So we see I think a system that has bred mistrust and disrespect of legal and political institutions in Russia. We do, by the way, have an analogous situation that I think we can learn lessons from, and that is in Sicily, where the Sicilian mafia also in the instance of there being a weak state, came in and essentially ran an extortion racket and a protection racket. But we now see strong measures being taken to combat the Sicilian mafia, often driven by grass-roots efforts to support that. And I think that perhaps we could look to that as a model or as an example of where we could apply some of those lessons in the Russian situation.

The nature of organized crime in Russia is quite different than it is in the United States. It is much more I would say professional, much more adept at what we call white-collar crimes, as opposed to the traditional crimes of prostitution and gambling and drugs and so on; not that they're not engaged in those, but they're also involved in much higher-level, more sophisticated kinds of crimes -- electronic crimes, defrauding banks and other financial institutions, money laundering.

They're also engaged in supporting political candidates. There were questions about what's going to happen with the elections. I would be interested in where the money is coming from to support candidates in the elections and how much of that is dirty money perhaps coming out of organized crime. They're buying mass media. They make charitable donations to very considerable degrees. They're also a global phenomenon.

And I think it's very important that we not lose sight of, since we're sitting here in Washington DC, that we not lose sight of the fact that we have other reasons to try to engage in what's going on in Russia and to help bring about reform that go beyond the altruistic and philosophical reasons of, for example, supporting democratic governance.

We see beyond Bank of New York type problems. We see threats of trafficking of arms, drugs, women and children, cyber crime, counterfeiting, economic espionage, et cetera, all of which are threatening to the United States -- in

the United States, not just what are the United States interests in Russia per se. So I think we have -- my point is we have other reasons to want to be engaged and stay on top of this and attempt to encourage and bring about reform.

Let me quickly turn to the future and say that -- premise this by saying, given this sort of dark and gloomy scenario, what can be done about any of this? And again, I think, first of all, we have to recognize what our limitations are.

There's only so much the United States is going to be able to do. The major solutions, I agree with my colleagues, rest with the Russians themselves. But I would take a little bit different tack on that, and I would say the Russian people have got to become disgusted, disgusted with the system that they see. And unless and until that occurs, those who are benefiting from this will continue to operate business as usual.

SEN. SMITH: But I think we've heard it isn't disgusting yet. It's normal.

MR. FINCKENAUER: Correct. That's correct. That's correct. Lest we think that this notion is naive, I again would offer the example of Sicily and Palermo, and particularly Mayor Orlando Orluca (ph) in Palermo, who has become -- started out as sort of a one-man band in taking on the Sicilian Mafia; not a small task in Sicily. But what we now see is grassroots efforts of teachers and mothers and what are called a monument strategy to begin to combat the Sicilian Mafia and essentially shame the government and shame the political system into moving against that Mafia.

I think the thing is, how could something like that begin to be done in Russia?

How do we get -- we know that the Russian people don't like this. I've talked to lots of Russians. They don't like it. But they see themselves as being very sort of powerless in making any efforts in this regard. And I think there are things that we can do to encourage them, to show that they're not powerless, to provide them with examples. I would echo the notion of exchanges. I would echo the notion of how do we get more information out, supportive information, to the Russian people?

In particular, I would mention a small, tiny little program called "Developing a Culture of Lawfulness." This is a curriculum that has been developed, presently being pilot-tested in southern California and in Mexico. And the goal of this curriculum is to create a hostile environment for bribery and corruption among school children.

And the idea is, if we could begin to turn around these young people's minds, that they would see the harm, they would see the pervasiveness and the insidiousness of corruption and crime, and they would become our allies. They would become our ambassadors, first of all, within their own families, within their own classrooms, with their own teachers.

And out of this little tiny pebble in a puddle, if you will, that could radiate out, we could begin to see the foundation of support for the notion of building a rule-of-law society. They're doing this again. They're doing this in Sicily.

They've done it in Hong Kong. If this notion can work in southern California, where they've got all kinds of kids being drawn into street gangs, et cetera, that then get into drugs and then link up with adult criminal activities, this is not unlike what we see going on in Moscow and St. Petersburg and other places.

This is an idea, I think, that we should sort of like -- you know, it's like an egg. We should warm it. We should protect it. We should let it hatch.

We should watch it grow and see how it develops. And if it works, we should

move

that egg to Moscow and to other places and see if we can't do that there.  
I would also say that we need also to think about providing additional  
equipment and training and technical assistance for law enforcement.

I was taken with your point about Jim Moody's comment on the degree of  
corruption among Russian law enforcement -- an enormous problem. But I  
would  
draw a contrast, and I hope you won't view this as splitting hairs, but I  
would  
like to differentiate corruption.

There's a kind of venal corruption, and then there's something called  
situational corruption. We have Russian police officers who are making  
money  
that puts them below the poverty line, lots of them. And they're in this  
situation, at the same time, where they have the authority and power of  
being a  
police officer. Do those police officers all like the fact that they are  
having  
to take or have viewed themselves as having to take money or take bribes,  
be  
involved in corruption? I suspect they don't. But what is their  
alternative?

How could we, for example, sort of weed out the venal corrupts -- you  
know, we  
could write them off and forget about it -- and take those who, if we  
could  
provide the right opportunities, increase their salaries, increase their  
professionalism, increase their training, give them equipment to do the  
kind of  
jobs that they want to do, would they still be corrupt? I suspect a lot  
of them  
would not.

So I think we need to think about those kinds of strategies, not simply  
say,

"Well, we can't deal with them because they're all corrupt." We shouldn't  
be  
naive, again, and we should understand that if we share information, we'd  
better  
be very careful with the kind of law enforcement information we're  
sharing,  
because we don't know what might be done with it. But I think there are  
avenues  
there that we could pursue.

And finally, I would say that for the whole system of administration of  
justice, we've got to look to build an independent and incorruptible  
legal and  
judicial system, because that's now the weakest link in the Russian  
governmental  
system. It is being overpowered by the legislation, and particularly by  
the  
executive. There is no avenue, as I mentioned, for citizens to turn to for  
redress of grievances. A prominent judiciary would undercut the role of  
organized crime in these (crucial?) respects that I've talked about. And  
I

think projects like the (ABA Sealy?) program need our encouragement.  
They need  
our support. We need more of that to be done.

Finally, I think all of this presents enormous challenges, but also  
opportunities for the United States. But what we must understand is that  
this  
is not a sprint. This is a marathon. And we're only going to be  
ultimately  
successful if we're willing to stay the course. And I think that's  
probably the  
most important lesson that we can learn out of all of this.

Thank you, Mr. Chairman.

SEN. SMITH: I thank you very much, Dr. Finckenauer; very, very helpful,  
very

insightful. To any of you -- maybe this -- in the current environment,  
do each  
of you think it is appropriate for the Ex-Im Bank to issue its largest  
loan  
guarantees ever to Russia? Is it appropriate, Dr. Reddaway?

MR. REDDAWAY: To what entities?

SEN. SMITH: To the Russian government.

MR. REDDAWAY: To the Russian government?

SEN. SMITH: Yeah.

MR. REDDAWAY: I think that is not appropriate. I think that although  
different  
parts of the Russian government are corrupt in different degrees, the  
great

majority of the Russian government is, to one degree or another,  
corrupt. And  
making large loans in cash to entities of the Russian government is a  
very, very  
dubious proposition indeed, and I would, you know, want the particular  
cases to  
be looked at very, very closely indeed.

SEN. SMITH: Let me clarify it as to a U.S. company investing in a Russian  
enterprise.

MR. REDDAWAY: Ah. That is different. Again, I would say that the exact  
circumstances and the exact people involved need to be looked at very,  
very

closely. I agree with what both my colleagues have stressed. It's  
certainly  
wrong to think that all Russians are corrupt. And I very much agree with  
Dr.

Finckenauer that there are these different types of corruption --  
outright venal

corruption and situational corruption. And if the company that the Americans

wanted to invest in were a relatively non-corrupt company --

SEN. SMITH: It's a questionable, highly questionable enterprise.

MR. REDDAWAY: Oh. If it's highly questionable --

SEN. SMITH: Dr. Graham, do you know what I'm talking about?

MR. GRAHAM: I don't know about the specific case, but I would argue along the

lines that Dr. Reddaway has. You have to take a very close look at the specific enterprise, the activity. What we need to do is due diligence. We need to know

whom we're dealing with, what type of activities they have conducted in the past, before we issue loan guarantees of this sort. SEN. SMITH: You'd argue

high caution right now.

MR. GRAHAM: High caution, particularly at this point.

MR. REDDAWAY: If I could add, it's also important to look very carefully at the

local political leaders -- the mayor of the city, the governor of the region --

and see what his record has been over how that individual has handled major

investments by U.S. and western companies in his city or region, because some mayors and governors encourage investment, and then, when the investment starts

to produce some profits, they introduce new taxes, new regulations, that make it

possible to skim off a lot of the profits for the benefit of the local administration. And that is something that is impossible to foresee. The only

guard against it is what the track record of that local political leader has been up to now.

MR. GRAHAM: If I remember correctly, this concerns an oil company --

SEN. SMITH: It does.

MR. GRAHAM: -- that is engaged in trying to purchase an asset from another oil

company that is in bankruptcy. There have been accusations that the oil company

that is the subject of the deal is, in fact, engaged in illegal or at least

unethical practices in its effort to purchase this other oil-producing facility.

The problem here is that we've got two American companies involved now.

I forget the name of the one who we've got the loan guarantees, but BP-Amoco is

also involved in this as well. And it seems to me that it's inappropriate at

this time for the Ex-Im Bank to be guaranteeing a loan so that an American can

enter into a partnership with a Russian oil firm to take over an oil production

facility that is in dispute and one of the litigants is another American oil

company. SEN. SMITH: Final sort of general question. If we desire to help and we want

to leverage the rule of law, to encourage its creation, is that leverage best

supplied with the incentive of loans and cash and these kinds of things that the

Ex-Im Bank is on the verge of doing?

MR. GRAHAM: I could take a first shot at that. No, I don't think so. I think

money sent to Russia now, particularly without proper safeguards, is money that

will wind up in the West sooner as opposed to later. The way you help encourage, I think, a rule-of-law society is, as I said, by trying to

encourage activities that integrate Russia into the outside world, but I think also

by simply providing an environment in which Russians can learn about how our society functions. I don't think that you can stress too much the extent

to which they are curious and envious of how successful our country is. And what

they're looking for is ways to repeat that success in their own society. SEN.

SMITH: Cash in almost any form, however you dress it up, maybe just reinforces

the worst kind of lessons, the wrong kind. MR. REDDAWAY: As a general proposition, I think that's true. I do, however,

think that we have accumulated some experience in the West about small grassroots organizations which are not corrupt. Small amounts of money

sent to small grassroots groups which have a track record; that, to my mind, is still

feasible and desirable. But large sums of money are another matter, and I think

one has to be very careful.

If I could -- can I take a couple of minutes to make a few more remarks?

SEN. SMITH: Sure.

MR. REDDAWAY: I think that one of the things that we should be uncompromising

about is saying, quietly but insistently and repeatedly to the Russians, "You want us to come and invest. We would like to come and invest. You're an attractive country ultimately for us to invest in. But we cannot. We simply cannot invest on any scale today because of the political and legal conditions in your country."

We should not pull any punches about that. As I said, we shouldn't do it in a lecturing tone, in big public forums, but we should insistently get that message through every possible channel we can, because that's an argument that every

Russian --

SEN. SMITH: They understand that.

MR. REDDAWAY: My second point is that I very much endorse Dr. Finckenauer's eloquent description of how, in the long run, the way to develop a rule-of-society is from the grassroots up. And it is -- if we can persuade

members of the young generation, partly by bringing them over here, as Dr. Graham said, for prolonged visits so that they can absorb our values and understand them, then we have some hope.

We shouldn't, however, be blind to the difficulties involved. Ultimately, this

sort of approach logically leads to promoting revolution in Russia against a corrupt regime. Now, that may be desirable. It may be the only way that you're going to get an improvement in the Russian situation. But obviously it involves very tricky political and diplomatic problems, and we need to look those problems squarely in the face and not flinch from them. Again, there aren't

easy answers.

And the final point. Tom Graham said we should cooperate with the honest legal enforcement people. In principle, I agree with his argument. But in practice, it is very difficult to do. And I think Dr. Finckenauer was suggesting the same thing. Let me give just two interesting examples. There is an honest --

or there was an honest policeman in Moscow who testified in a court case against an oligarch. Almost immediately after he testified, he got threats against his life, and he and his family are now living in Switzerland and will probably stay there for a long time.

The second example is a U.S. reporter who went to Russia and did extensive research about one of the most prominent Russian oligarchs, Mr. Berezovsky. He wrote a big article in the U.S. press and was very quickly threatened with his life, although he's living in the United States, and on the advice of the FBI, went to live in Europe incognito for about six months until the fear that he might be assassinated had diminished. And he had got his information from honest police officials in Moscow, and those honest police officials -- of course, he kept them anonymous in his story for the U.S. press, but quite possibly those officials are also in a position of great danger.

So the principle is right. We need to identify and work with the honest minority, even if it's a small minority. But we have to realize there are huge risks involved for those honest Russians, as well as, in addition, there are risks involved even for the Americans involved.

SEN. SMITH: Gentlemen, you've been terrific and very enlightening. And Joe, as I mentioned, has been on the floor and doing battle, and we welcome him here.

Unfortunately, I have to go, and so I'm going to leave this committee in his care and to his questions.

SEN. JOSEPH BIDEN (D-DE): Thank you. I'll be quite brief, Mr. Chairman. Thank you very much.

Gentlemen, I apologize. We've been having an ongoing debate about whether or not we should bring up the ABM Treaty; excuse me -- we've been debating that as well, but debating the Comprehensive Test Ban Treaty. And there was an offer made by the Republican leader to be able to bring that up on very short notice, which is fine by me, but very short notice without any hearings -- a minor issue -- and so we were discussing that on the floor. And that's the only reason I was not here, because a) the three of you are very knowledgeable, and I'm told by staff as well as the chairman this has been an excellent exchange you've had so far, and I very much wanted to be here, because you both, all three of you know better than I do that we better get this relationship right

somewhere along the way here, and it's going to be, as you, to state the obvious -- not referring to the three of you -- but at least on this side of the bench, there can be an awful lot of politics engaged in this issue over this presidential campaign. And I hope we can sort of get through the din and the fog here of the political rhetoric on both sides we're going to hear to try to come up with a rational policy and understand how to get there.

As I understand it -- well, let me not characterize what you've said so far, let me ask my question. And if this has been asked already, please just indicate it and I'll read it in the record, okay. Unlike the IMF assistance,

U.S. assistance is not passed out as big chunks of money. We don't decide to send \$5 billion to the central bank in Moscow. Our programs are basically, thus far, exchange programs, technical assistance programs, technical expertise, equipment of various kinds, with the exception of the programs that we've had to dismantle nuclear arsenals, which has, I think, been remarkably successful and money very well spent.

But, notwithstanding this, the way in which we have gone about it since the Bush administration through the present administration, how sure do you think the U.S. government can be about where and how its assistance is being used? In other words, when we have, I'm used to dealing with the criminal justice system here in the United States, and I used to be chairman of the Judiciary Committee, and we had oversight hearings. We could track on, not always as well as we should have, but track how the money being sent out for programs is working, and make a judgment about whether or not it made sense to continue it or not.

How do we, in the light of the way in which our aid has been forthcoming, to the extent it has, how do we gain any confidence or certainty about what's working and what's not working, and what makes sense and what doesn't make sense? And start, doctor, with you, I mean, however you'd like to proceed.

MR. FINCKENAUER: Well, if I could respond from my example or my experience with Ukraine, which is similar, the assistance is very similar, the problems are very similar. We are presently engaged in an assessment process to look at the effectiveness of the delivery of law enforcement by the United States in Ukraine. And, obviously, there's been considerable resources devoted to this over the last ten years, and there's little knowledge at this point about how is all that working. I mean, who is being trained, are the right people being trained? Is it having any affect in terms of what they're doing?

So, what we're in the process of doing is developing what we call a template by which we could look at how training needs are being assessed, and whether, in fact, what we're doing, the subjects that are being taught in these training programs are in fact the appropriate ones, are they the ones that are really needed given what the concerns are. And, not surprisingly, that's been a very haphazard process by which these training needs have, in the past, been assessed and been matched up with what we offer. It's very much off-the-shelf items.

You know, we know, we have people who can teach about this topic. They must need to know this, so we go there and we teach on that topic. But I think people more and more have become aware that that's not the way to do this. Let's look at how we're doing this and see if we can't do a better job. And I would simply suggest that that same model could be employed in Russia or in any other place where the United States is doing law enforcement training.

SEN. BIDEN: Dr. Graham, or --

MR. GRAHAM: Look, this is a very difficult question, and very difficult to assess.

SEN. BIDEN: That's why I asked you. If I knew the answer the answer, I wouldn't bother -- (inaudible) -- we wouldn't call you guys experts.

We wouldn't pay any attention to you at all --

MR. GRAHAM: That's right --

SEN. BIDEN: -- except how you voted -- I mean --

MR. GRAHAM: Right. Exactly. Part of the problem, of course, is that we give assistance to vast numbers of individual Russian entities, and it is physically impossible for us, as a government, to evaluate all of them. Some of

this we  
take on faith that the programs are going in the right direction.  
The second point I would make is that I think there is a danger in  
trying to  
determine whether something has been successful in the short-run or not.  
In  
many of programs, what we're looking for is a payoff that's going to come  
five  
to ten years down the road in the change of attitudes. So, something that  
focuses on whether the money spent has given us a return already or not  
many  
times is going to miss what's important for us to do in Russia. And I  
think  
part of the problem we have as a government is that we tend to focus on  
the  
short-term. In order to get additional money for programs we have to  
demonstrate short-term success. That is very difficult. I think that's  
the  
wrong way to approach it.

The third point I would make is what we really need to do on some of  
these  
programs that are aimed at developing rule of law, democracy, is devising  
some  
way of conducting a sociological research that would demonstrate, or at  
least  
help us determine whether we're seeing changes in political attitudes and  
social  
attitudes among the people who participate in our programs. That itself,  
setting up an efficient program to evaluate that, is a major project in  
itself  
and will cost some money, but I think that's something that we ought to  
consider.

SEN. BIDEN: Thank you. Dr. Reddaway.

MR. REDDAWAY: If I could add, we've heard through the discussion, and I  
think  
the three of us are agreed, that the elite in Russia today has become so  
corrupt  
that real change in Russia is probably only going to come from the  
grassroots of  
Russian society over a long period of time. And that has some direct  
relevance  
to your question.

On the one hand, in my opinion, we should be extremely cautious, and in  
general  
not give sums of money to government entities, whether at the federal or  
the  
regional level. We should not give money to big Russian companies. On  
the  
other hand, we can, with much better chance that the money will not be  
abused,  
give it to grassroots groups, small sums of money to large numbers of  
grassroots  
groups across Russia and the former Soviet Union. If particular groups  
abuse  
the money, then, okay, it's lost, but it's just a small sum of money.  
Other  
groups will not abuse it and will put it to good use. And, you will  
eventually  
get a culture of rejection of corruption, that Dr. Finckenauer was  
talking about  
earlier. The culture of believing that Russia must renew itself from the  
grassroots upwards, which is, I think, the only real hope for the future,  
long-term future of Russia.

SEN. BIDEN: Can I ask any of you to cite for me, if you have any in mind,  
examples of where we have given large sums of money to individuals,  
companies,  
and or the government, that you believe has been, resulted in  
inappropriate  
confiscation of that money or aided and abetted the corruption, et  
cetera. I  
mean, are there any, if you had to list just the number of direct grants  
of  
dollars to, that you consider large, to the government of the, of Russia,  
or any  
entities -- because we keep hearing people talk about this, we shouldn't  
give  
these large amounts of money, like you said, to the government. What  
large  
amounts of money have we given to the government. for the record? Can you  
think  
of any?

MR. REDDAWAY: I can give one example, which is not exactly in response  
to your  
question, but it's, I think, relevant. The World Bank has given large  
sums in  
order to try to help the Russians restructure their coal industry. I  
think  
there's been at least two major grants or loans over the last three or  
four  
years.

SEN. BIDEN: That's true.

MR. REDDAWAY: There's been extensive and growing evidence that a lot of  
this  
money has been diverted into private pockets in Russia. I read an  
article last  
week by John Helmer (sp) in the Journal of Commerce, in which he detailed  
how  
this money had been embezzled in St. Petersburg. That's one example.

SEN. BIDEN: Let me be more precise. I think if you go home this evening

and  
ask your next door neighbor, assuming they're not engaged in the same  
academic  
pursuits that you are -- they are automobile salesmen, or own a local  
company,  
or work for a large outfit, or work for the federal government -- and you  
ask  
them what they think all this thing about the waste, you know, who lost  
Russia,  
and all the money we're wasting in Russia, they think that when you use  
phrases  
like "we shouldn't give large amounts of money" you mean taxpayers'  
dollars  
directly. Now, can you think of any bilateral program where we have  
given large  
amounts of money that has been wasted? Anybody.  
MR. GRAHAM: Look, I think the answer to that question is "no."

SEN. BIDEN: Good.  
MR. GRAHAM: I can't think of any --  
SEN. BIDEN: Bingo.  
MR. GRAHAM: -- The issue has been more the money that has been provided  
through  
the IMF.  
SEN. BIDEN: Good. Then why don't we say that? And I don't mean you.  
But why  
don't we all say that? Why don't we stop this malarkey about these large  
government programs that we are funding. We are not alone funding any,  
that I  
am aware of. And, you understand, I need not educate you -- I'm sure,  
doctor --  
how the World Bank works and how the IMF works, and how our money is put  
at risk  
and how we haven't lost any money. Wouldn't you be prepared to  
acknowledge  
that?  
MR. GRAHAM: That's a much more difficult question to answer --  
SEN. BIDEN: Give it a shot. I have patience.  
MR. GRAHAM: -- because the question is not whether IMF money has been  
returned  
or not, or not lost at this moment. The question is the impact of that  
lending  
on government practices --  
SEN. BIDEN: That's your question. That's not my question.  
MR. GRAHAM: No, but --  
SEN. BIDEN: And I get to ask the questions. Okay. You've got to run for  
office to get to ask the questions. MR. GRAHAM: Well, I understand that, and perhaps I should.  
SEN. BIDEN: I think it would be a good idea. It's always a salutary  
experience.  
MR. GRAHAM: But the point is when you have to make the payment and in  
what  
form. You may get your taxpayers' money back on the IMF. We haven't lost  
any  
money in that regard, and no IMF money has been lost. But if what the  
IMF money  
has done is facilitate corrupt practices among high-ranking government  
officials, and that we have to spend more money, taxpayers' money, in  
investigating that and setting up defenses against that, and I would  
submit that  
this is perhaps not -- (inaudible) --  
SEN. BIDEN: Good. Now we're getting somewhere.  
MR. GRAHAM: But, so we need to focus on what the real trade-offs are --  
(inaudible) -- costs come.  
SEN. BIDEN: You see, all I'm trying to do, is I think there has been,  
and I  
think this is a corrupt society in Russia. It has been from my first  
meeting  
after Gorbachev's fall, meeting with -- I went over and met with all the  
major  
political party leaders, literally, every one of them, ranging the whole  
spectrum. And all of those who you'd call democrats with a small "d" said  
"don't give them any money." And so we started defining it. That's why,  
when  
the seed program was written, that became the  
freedom-whatever-the-heck-we-  
call-it-act, that's why we didn't do it that way, with direct, big,  
bilateral.

Now, what's happened though, is we've got to cut through, as I said, the  
fog  
here a little bit. They have a little bit of honesty in academia,  
honesty in  
advertising here. In everything you read, you read the headlines that say  
-- not  
that any of you have written --but you read the headlines that say,  
"Billions in  
American Tax Dollars Lost." That's what one of the articles said that  
everybody  
quotes around here, in the New York Times, billions in tax dollars lost.  
Now, the people at home are pretty smart. They divide it into two  
ways. They  
say, look, if you're pouring my money down a rat hole, like you would if  
the  
local corrupt mayor has taken the money and is keeping his mistress and  
four  
other people and they're raising my property taxes to do it, then that's  
one  
thing. If you're saying that, although I'm not losing any money, I may  
be, as a  
consequence of decisions made by my government participating in them,

causing a circumstance where we "may lose Russia," where we end up generating and perpetuating or invigorating a culture of corruption where we become, we enable it to happen because of what we're doing, then that is an equally serious problem in my view.

But I think one of the obligations that I have, at least as a United States senator, is to articulate as clearly as I can, with as much precision as I can, what is at stake, what the issue is. And I just want somebody, for a change, to say -- sitting there, experts -- what is at stake is a policy we've engaged in in two administrations, through to so-called "ifys" -- I love the way the foreign policy guys use that phrase, the international financial institutions that we are talking about, the World Bank and the IMF and others -- whether or not our policies relative to those institutions and how we vote in those institutions, has created a circumstance that is detrimental and not positive, or has not been as used with as much efficacy as it should or could have been.

That's a legitimate debate I want to engage in, and I want to solve, and I want to be part of.

But, as long as it is confused with the debate that, and the assertions that are not true, and the perpetuation of the notion that we are taking large direct grants in foreign aid of U.S. taxpayer dollars and pouring them down a rat hole so that Yeltsin's daughter can shop at Paris fashion shows, then know what we do when you guys aren't honest enough to put it in the way we should phrase the debate, then we lose support for all foreign aid. Then we find ourselves in the position like we have in this foreign aid bill -- and I'll end my little diatribe here -- we are cutting by \$3 billion -- hang on, doc, you'll get a chance -- we are cutting by billions of dollars, not only aid to Russia,

we're not funding the Wye Agreement -- we, we, the United States of America, because there is an attitude over in the House that "I'm not going to vote for foreign aid in this atmosphere, man. I'm not going home and explaining to anybody. I'm not going to vote for that. That's a killer for me politically."

So, I think if we're going to be responsible adults, and informed foreign policy experts -- of which I consider myself one -- we should be accurate and precise in the way in which we discuss the issue. That's the only point I'm

trying to make. And that's why I asked the question. Now, I'll conclude my

thing and let you, hear what you have to say, doctor, and not trespass on your

time any more, any of you. I think there is a big problem here, a gigantic problem. I think the culture of corruption in the Soviet Union, and Ukraine, I might add -- forget Belarus, I mean, that's a different deal -- is extreme, is something that has existed from the czar through commissar, back to whatever-the-hell-to, to these, what do they call themselves now, the elite?

What do they call, the guys --

MR. GRAHAM: Oligarchs.

SEN. BIDEN: The oligarchs. From czar, to commissar, to oligarchs, not much has

changed, except we've got a clearer view now, the clearer view. And so, we've got to do something about it, and that's what I'm here about, trying to figure

out what we do. And the doctor, the floor is yours.  
MR. REDDAWAY: I've had time to think up a good response to your question. The

U.S. food program --

SEN. BIDEN: Food? F-O-O-D?

MR. REDDAWAY: F-O-O-D program for Russia is, in my opinion, a major scandal,

and I hope that you will find ways to investigate it, partly because it, I think, has directly fed Russian corruption, and --  
SEN. BIDEN: In what way, doctor? I'm not doubting you, I just want to know --

MR. REDDAWAY: I'll explain in a moment. And secondly, because it seems that it's entirely possible that we will go through a new round of this

unnecessary, corruption-feeding food aid program in the next year, some time in the next

year. There are people pushing for it on both sides, both in the United States and in Russia.

The program that was launched about a year ago, if I remember rightly, had a price tag of about \$1.3 billion. That food aid went ahead last -- the

program was launched last fall, early winter, against the objections of almost all the independent food experts in Russia, against the wishes of important people within the Russian government. It was pushed by our government, because we wanted to help U.S. farmers, and it was pushed by corrupt elements in the Russian government who wanted to benefit directly from it themselves. The food was eventually sent, late -- too late to be of any use -- not that there was, in fact, a shortage of food in Russia. So, the whole thing, in that sense, was

corrupt from the start. It was, it was on --

SEN. BIDEN: There was no shortage in Russia?

MR. REDDAWAY: There was no serious shortage of food. It was not actually needed. They got through the winter without -- the first food arrived in the spring. The terms of the deal were that the Russian government was supposed to sell this food to the Russian people at market -- roughly speaking market cost.

and the money was supposed to go into the Russian pension fund, which is dramatically underfunded. Virtually nothing has gone into the Russian pension

fund. The money has disappeared into the hands of corrupt Russian officials, in particular the former deputy prime minister, Mr. Zaveryukha (ph), in charge of

food in Russia -- no longer I believe now. He -- it's already been documented

in the Russian press the corrupt ways that he benefits from this food aid.

And now we are apparently considering another food program, despite the fact that it's not needed in Russia and despite the fact that the last time we fed

Russian corruption with it. Now, this is with direct --

SEN. BIDEN: A very good point --

MR. REDDAWAY: -- American taxpayer money.

SEN. BIDEN: If you can for the record, in addition to your cogent explanation

of the waste of that money and how it impacted on corruption, if you could supply for the record additional detail, it would be very useful, because I

think you are absolutely right: We should be looking at that. That is a concrete example, and it is something that obviously as you point out will be back on the agenda again. And if you are correct we should not be going forward

with such a program.

MR. REDDAWAY: I'll be happy to supply --

SEN. BIDEN: I appreciate it very much. I appreciate it very much.

Well, gentlemen, as I said, I've gone beyond the time that you expected to have to stay here. I would like to ask your permission if I would be able to submit

two questions to you in writing, each of you, and again no urgency in responding. And if after the fact you think of anything that you wish you had

said -- or an issue that wasn't brought up -- or you want to in any way increase

your -- expand on any explanation you've given, with the permission of the chairman who is not here, but I am sure he wouldn't object -- I would invite you

to do that for the record. It would be very useful, because I for one believe

that this is an area where we should let the chips fall where they may, because

I believe if we don't do it, if we don't address this problem straight-up, honestly and thoroughly, we are going to not only undermine our engagement with

Russia and any prospect for a positive engagement that has positive impact; we

are going to undermine our engagement with other nations as well. This is not

-- in a political context this is -- you know, this is you know a very porous

issue. People don't make distinctions very clearly between one type of foreign

aid and foreign aid and international institutions where there is an effect in

the minds of people, foreign aid, but it is a policy decision we make to help or

not help, and they don't make a distinction in what parts of the world it occurs. So I think your testimony -- and from what I'm told from my

staff as I

walked in, the first thing that they said to me was, this is the best hearing

we've had so far, that these guys really know what they're talking about. That

was the comment made. And I hope you don't view that as being

solicitous. I

mean, it was seriously stated, and I look forward to reading the record.

And I

also look forward to you expanding on anything you said, as I said before.

And doctor, if you could specifically on the food program -- because I think

that's a very, very good example, because I would note for the record as well

that this time last year I was given assessments about the state of the

agricultural commodities and availability and food that wouldn't be on the shelves in Russia that were fairly bleak. And as a consequence of that, I was one of those people who sat down with very -- if they give me any more notes I'm going to shoot them -- I was one of those people who sat with some of the agricultural community and said, Now, are you willing to participate in getting food there, how do we get there, and so on and so forth. And the issue we were talking about then was the physical capacity to lift the food there. And so to that extent I was involved in it, because I must tell you I thought -- I had been convinced that because -- not that there was not the capability of producing all the food they needed, but because of a lack of any infrastructure that they have within the country. I mean, more food gets wasted and lost in the fields in Russia than ever gets into the -- overstated slightly -- ever gets into the towns and cities. But I had become convinced that this was a serious potential humanitarian problem. And I quite frankly thought it would be better to run the risk on losing our food than direct dollars to the Soviet Union -- or excuse me, to Russia. And so it would be very helpful, because the point you make is a very, very valid one. Again, I thank you very much. I'd like to keep the record open until the close of business tomorrow to allow senators to offer additional questions for the record if they have -- and again invite you to submit anything you would like, and particularly you, Dr. Reddaway, on this issue of food. And unless anyone has any comment they would like to make, I will adjourn the committee. Committee adjourned. (Sounds gavel.)

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SECTION: SPECIAL CONFERENCE OR SPEECH ABOUT THE MIDDLE-EAST

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HEADLINE: NATIONAL PRESS CLUB LUNCHEON SPEAKER  
BULENT ECEVIT, PRIME MINISTER OF TURKEY  
THE WILLARD HOTEL  
WASHINGTON, D.C.

BODY:

LARRY LIPMAN (Cox Newspapers, National Press Club president): Good afternoon, and welcome to the National Press Club. My name is Larry Lipman. I am president of the National Press Club and Washington bureau chief of the Palm Beach Post and the Cox Newspapers Bureau. We are holding this event at the Willard Hotel, next door to the Press Club. I would like to welcome club members and guests in the audience today, as well as those of you watching on C-SPAN. Before introducing our head table, I would like to remind our members of some upcoming speakers. Tomorrow, Thomas Menino, mayor of Boston, will discuss youth crime. On Wednesday, October 6th, we will hear from Archbishop Desmond Tutu, chairman, Truth and Reconciliation Commission of South Africa. And on Tuesday, October 12th, Dave Thomas, CEO and founder of Wendy's, will discuss the Dave Thomas Foundation. Press Club members may access transcripts and audio files of our luncheons at our web site, npc.press.org. Nonmembers may purchase audio and video tapes by calling 1-888-343-1940. If you have questions for our speaker, please write them on the cards provided at your table and pass them up to me, and I will ask as many as time permits. I would now like to introduce our head-table guests and ask them to stand briefly when their names are called.

All head table guests, except those invited by the speaker, are National Press Club members. Please hold your applause until all of the head table guests have been introduced.

From your right: Kirsten Mitchell, Winston-Salem Journal; James Colburn, Time Magazine; Kaky Turpin, USIA Foreign Press Center, and member of the National Press Club Board of Governors; Ambassador Baki Ilkin, guest of our speaker; Mrs. Elcin Cem, guest of our speaker; Mrs. Rahsan Ecevit, the wife of our speaker; Ken Eskey, chairman of the National Press Club Speakers Committee. Skipping our speaker for a moment, Kristina Messner, director of Public Relations for the Willard Intercontinental, and member of the National Press Club Speakers Committee who helped organize this event; Minister of Foreign Affairs Ismail Cem, guest of our speaker; Helen Thomas, White House correspondent for UPI; Savas Suzal, Sabah Publishing Group; Hasan Hazar, bureau chief, TGRT Broadcasting, Turkiye Daily, Ihlas News Agency; and John Lynker, WTOP. (Applause.)

We also have several distinguished guests in our audience today and I would like to recognize several of them. The Deputy Prime Minister for Energy and Natural Resources Minister Cumhuriyet Ersumer, Mrs. Suzan (sp) Ersumer; the Minister of State for Treasury, Recep Onal, Mrs. Nir (sp) Onal; the Minister for Trade and Industry, Ahmet Kenan Tanrikulu; and distinguished parliamentarians. We

also have with us the Ambassador of Greece, Mr. Alexandros Philon, and his wife; and the Ambassador of Cyprus, Mrs. Erato Kozakou-Marcoullis. I would also like to recognize in the audience Steve Catlin (sp) of the U.S. Agency for International Development, who led the American rescue team which went to Turkey last month, and Captain Dean Cox (sp) of the Fairfax County, Virginia, Fire and Rescue Service, who were part of that team. (Applause.)

Members of Captain Cox's team just returned back yesterday from being in Taiwan.

It is extremely appropriate that Bulent Ecevit should be addressing the National Press Club. After all, he got his start as one of us. After graduating from Robert College in Istanbul, Mr. Ecevit served as press attache in the Turkish Embassy in London. His journalism career included work with several Turkish newspapers, and his titles included art critic, columnist and managing editor. He also published both a weekly and monthly magazine. From 1957 to 1980, he served in Turkey's parliament, including three brief stints as prime minister in the 1970s. During one of those times, in 1974, he ordered Turkish troops into Cyprus.

In the early 1980s, Mr. Ecevit was imprisoned three times by Turkey's then military regime for writing articles the military didn't like. In 1982, the government imposed a 10-year ban on political activity by certain people, including Mr. Ecevit, but he helped form a new political party, the Democratic Left Party, which was led by his wife. The ban was overturned in 1987. In 1991, Mr. Ecevit was reelected to Parliament. Two years ago he was named deputy prime minister, and in January, he returned to the office of prime minister for a fourth time.

Before turning over the podium to Mr. Ecevit, let me say a few more words about his career as a journalist. From October 1954 to January 1955, Mr. Ecevit had a State Department fellowship to work at the Winston-Salem Journal in North Carolina. On Sunday, January 9th, 1955, his last day with the paper, Mr. Ecevit had a front-page, first-person piece in the Winston-Salem Journal and Sentinel -- that was the combined Sunday paper -- in which he reflected on American race relations in the wake of the landmark Brown vs. Board of Education decision.

Quote: "It is strange that this nation which is so ardently fighting against slavery in the world should try so hard to hold to the last vestiges of slavery in its own home. And it is no less strange that America should find itself the most ardent advocate of human rights in the world today, while the rights of so many millions of human beings in this country are being disregarded."

He gave some advice to America: "The whites should at least stop making excuses, and as a first step toward atonement should admit that they are

guilty  
-- guilty of refusing to drink from the same fountain as the man who has fought on the same front for the same cause; guilty of refusing to travel on the same coach or seat as the man who has been working with equal ardor for a common community; guilty of refusing to pray to God side-by-side with the man who believes in the same prophet's teaching; guilty of denying him the right to listen to Beethoven in the only concert hall of the town -- all because of the difference in the color of the skin, a difference that one even ceases to be aware of after a few minutes in unprejudiced, integrated company."

Ladies and gentlemen, let's have a warm National Press Club welcome to a former journalist, Bulent Ecevit, the prime minister of Turkey. (Applause.)  
PRIME MIN. ECEVIT: Mr. Chairman and President, ladies and gentlemen, it's a great pleasure and honor for me to attend this meeting organized by the National Press Club of Washington. I thank the National Press Club members for giving me the opportunity and honor of meeting with a large gathering of distinguished journalists and guests.

I have been given this honor in Washington in 1978, also. I take pride in being a journalist myself. I have never wholly given up this engaging occupation. I was also a guest journalist, as the chairman has said, in mid-1950s, for a few months in an excellent American newspaper, Winston-Salem Journal.

I learned a great deal about responsible journalism from the editor of that paper of the time, Walter Carroll (sp), with whom we became lifelong friends.

He still resides in that warm-hearted town, Winston-Salem. And please allow me

to extend from here my best wishes to him and his dear wife, Peggy Carroll (sp),

and to all my friends and colleagues in Winston-Salem.

From the quotation that the chairman has made from my departing article in Winston-Salem, one can realize how democratic a country the United States was at that time, which helped solve your many problems.

Before I enter into my speech, I would like to brief you a little on the meeting that we had with President Clinton yesterday.

We had a very positive and productive meeting yesterday. We discussed a wide range of issues in a very friendly atmosphere.

First of all, we had a fruitful exchange of views on ways of further developing our economic and commercial ties. We talked about the recent earthquake in Northwestern Turkey. And I expressed our heartfelt gratitude to the American

people and the government for the hand of friendship they extended to Turkey during this difficult period. I thanked the president for his personal involvement in mobilizing support for Turkey.

We discussed the issue of expanding the quotas for Turkish textile products.

And I hope that the negotiations on this matter may be concluded, in a satisfactory manner, as soon as possible.

We also took up the Trade and Investment Framework Agreement, which is to be signed today. We had concluded that our two countries could use this agreement

as a basis for developing several concrete projects. In this context, I raised the possibility of establishing a qualified industrial zone in the most neglected southeastern part of Turkey. I also welcomed the president's suggestion to send, next month, a delegation of American businessmen to Southern Turkey, southeastern Turkey, to look at investment possibilities on that place.

We also discussed the issue of the Caspian Basin pipelines. President Clinton, he reiterated the United States' support for the Baku-Ceyhan oil pipeline. I

explained to President Clinton that the Trans-Caspian Natural Gas Project is a matter of priority for Turkey. We agreed on enhancing the close cooperation between Turkey and the United States on these important projects.

The relationship between Turkey and the European Union was also part of our talks. We had an extensive exchange of views on these and other issues, such as

Bosnia and Kosovo. I believe that Turkish-American cooperation is an important factor in the efforts of the international community to address this issue.

We also talked about the recent improvements in the Turkish-Greek relations.

We discussed the development of the European Security and Defense

Identity at length. The president expressed support for our ideas regarding the development of this identity within the framework of NATO and the need for non-European Union-member European allies to participate in the decision-making processes of any new European defense structure. I was pleased to observe that we shared parallel views on this subject with the president.

The president and I talked also about Cyprus. We agreed that there cannot be a solution to the problem of Cyprus that would return the situation to what it was before 1974. All Cypriots must live in security. I supported the president's idea to send his special envoy to the region next week to explore chances of moving forward.

Ladies and gentlemen, as you know, we were faced with a big calamity, a real disaster in the recent weeks as a result of the earthquake that hit nine provinces of Turkey, nine provinces which constituted the most industrially developed part of the country. So it was a big blow on the economy, as well.

Thus far, it is ascertained that over 15,000 people are dead. But as rubble is cleared, I am afraid the number may grow. And nearly 25,000 people are still under treatment in hospitals.

The number of tents that had to be distributed to people showed the immense of the casualties. Thus far 112,000 tents have been distributed, and yet they are not enough.

Our economy was struck twice in the recent one year, firstly when the southeastern economy crashes hit Russia, it also hit Turkish economy very badly,

because our economic and trade relations with the Russian Federation had been improving extensively in recent years. But as the Russian people lost their purchasing power to a great extent, our trade and economic relations with that big country deteriorated considerably. And this was the first blow and the second blow was, obviously, the unfortunate earthquake.

We appreciated very much the solidarity shown by the American people and particularly by President Clinton himself to help solve the problems of the victims of the earthquake. The International Monetary Fund and the World Bank have also been very helpful by extending immediate help for the relief of the victims of the earthquake. We thank them also.

I shall touch briefly upon the political regime in Turkey. Turkey is a model for Islamic countries, with our secular democracy and modernization. This has proven to the world that Islam can be compatible with democracy, with modernity, and with secularism. Of course, some circles in the world try to subvert that regime, but the regime is fully entrenched.

Extensive women's rights are extended to women in Turkey, well from the '20s and '30s. You can meet women in all walks of life, including the courts, universities, academic life, business life, the police force, Army, et cetera.

They have extensive, more extensive, rights than in many other democratic countries.

And the increase in sensitivity for human rights is improving in Turkey. The NGOs have become increasingly effective. We were faced for the last 15 years

with a cruel terrorist development when a separatist terrorist organization, called PKK as an abbreviation, continued this fight with the support they received -- unfortunately, even from some of our democratic allies in the West.

At least 30,000 people lost their lives, most of them of Kurdish origin. Although the PKK organization claimed that they were fighting for Turkish-Kurdish citizens, yet they were their main victim.

And they prevented all sorts of economic developments, or try to develop, so that the region should remain poor. They even kept smuggling children or youngsters from several European Union countries and tried to engage them in terroristic activities in Turkey.

In Turkey, we have no concept of racial differentiation, so the people of Kurdish origin who are -- most of them are, in any case, mixed with the Turkish families -- we just -- it just doesn't occur to us to inquire into the racial origins of any person. There is complete equality. For instance, I formed government several times and I would discover just by chance that some of

the members of government I had chosen happened to be of Kurdish origin. It wouldn't occur to us to inquire into the racial origins of any official, and they have reached the highest offices, like the prime minister's office, Cabinet ministers, high officials, generals, et cetera. There is no sense, concept, of differentiation.

Recently the PKK organization, having failed in its militaristic, or militant activities, declared that it was starting a withdrawal process, but they are withdrawing to the bordering countries of Turkey, together with their armaments.

So the risk still continues, but it shows that they have finally realized they couldn't reach anywhere through terroristic activities in Turkey. And to make it easier for the militants in the mountains to come back to a normal life, we

passed recently a (repentance/dependance ?) law so most members of the PKK organization may benefit from that law if they so wish.

My government has been in office since May this year, and during the three months' period between taking the vote of confidence and the summer recess, 67 very important legislation was passed, among them a legislation to further improve our democracy, to further improve the human rights situation and to further improve economic and social development.

First of all, we changed the structure of the so-called state security courts by excluding members from the army in that court. We had to amend the constitution, for which all the parties in the parliament contributed. And then

we have made changes in the penal codes for prevention of torture. We have passed a law for prevention of organized crime. We have passed a law for freeing imprisoned writers and journalists. We have -- again, we have passed a law, as I said a while ago, for repentance for militants, and a law for sanctions against organizations for unlawful gains, and a law for liberalizing the party's legislation so that it has become very difficult to close any political party.

A banking law was passed, and a law was passed for the prevention of unfair competition. A comprehensive social sector reform bill, social security reform bill was also passed. Changes in the tax legislation to reduce the effects of the world economic crisis on Turkish economy have been made. And a decree law to facilitate and expedite relief measures for victims of natural disasters.

And last but not least we passed a constitutional amendment which has enlarged the possibilities of privatization and which introduced international arbitration extensively.

All these laws and others within three months by a three-party coalition, which has proven the fact that compromise, which I believe is essential for democracy, has gone quite fast, and it makes us very happy that even with a three-party coalition government we can manage so well in such a short time. (Applause.)

Thank you. Although we were faced recently with an earthquake disaster, we did not deviate from the stabilization program, even during that period. And during the election campaign which took place in the four months, on the first four months of this year, again, we took care not to deviate from our stabilization program.

We hope that although we will be passing through narrow straits for the time being, with the proven dynamism of Turkish economy we can emerge from this situation within a short time.

I would like to dwell briefly upon the transition of Turkish economy during the last two decades.

We achieved transition from an -- (word inaudible) -- to a largely market economy, from an agrarian-based economy to industrial economy, and from import substitution to export (trial ?). The share of agriculture in gross domestic production fell from 26 percent to 17 percent; the share of agricultural products in exports fell from 57 percent to 10 percent, all within eight or nine years. The share of industrial exports increased from 36 to 88 percent. And

the Gross National Per Capita Income increased from 1,570 to 3,190.

Of course these figures should not make you think that I -- we dislike giving importance to agriculture. On the contrary, we want to develop agriculture also

very much. But the figures that I have quoted shows how quickly Turkey has become a largely industrial society in a short period.

With regard to our relations with the United States, I am afraid our economic and trade relations lag far behind our political relations and military cooperation. Our trade volume with the United States was \$6.3 billion in 1997.

It did not increase in 1998, and in the first half of the current year, our trade volume with the United States decreased by 29 percent, and we deeply regret the situation. So we shall -- we hope that we explore the possibilities jointly of much deeper and wider economic and trade relations with our close ally and friend, the United States.

We have made certain concrete proposals during our meetings in Washington, particularly when we talked with President Clinton and the Vice President, Mr. Al Gore. We told them that after the arbitration and privatization steps, which we enacted through a constitutional amendment, the American companies, particularly in the energy field, should feel much more interest in establishing links and entering into ventures in Turkey.

We have suggested that so-called qualified industrial zones, as has recently been established jointly by Israel and Jordan, with the participation of the United States, should be established also in southeastern Turkey and eastern Turkey. The United States, we believe -- we know gives great attachment to the economic and social problems of that vitally important region. And so we hope that the American businessmen will be encouraged by their government to participate more effectively and more widely in investments in Turkey, particularly in the most neglected part of Turkey. That will be very appreciated by our people.

Our economy suffered tremendously on account of the Gulf crisis. Since the Gulf crisis, we lost at least \$35 billion in business and trade with Iraq. Before the Gulf events, Iraq had become our main partner in the region in economy, in trade relations. But all this opportunity has been -- has disappeared now for the last eight or nine years. And it caused real problems for Turkey.

We strongly wish that our ally the United States will ease the way for us to explore the possibilities of saving our economy from that restriction. It is very unfair, because we have given all cooperation to the United States with regard to Iraq, as a result of which -- as result -- but as a result of the Gulf crisis, we have paid a very big price, and this should be redressed. We have put stress on that during our conversations with American leaders.

Our military cooperation is quite advanced. And since the ending of the bipolar world, our military cooperation has been going far beyond NATO, including, for instance, Bosnia-Herzegovina and Kosovo. And our military risks are augmented largely because of our cooperation with the United States in the Middle East.

But although the scope of our military cooperation has been expanding tremendously, all military support, all military aid was stopped Turkey from the beginning of this year. This also, we believe, is rather unfair because we are sharing the same fate in cooperating militarily.

So we hope that the American administration will evaluate again Turkey's defense capability and how the American people, how the United States can contribute to Turkey's armed strength, which is used in most cases in cooperation with the American administration.

With regard to our international relations, until a few years ago, Turkey was surrounded by hostile countries in the region. Now the opposite has become true. We have been able to establish very close relations with all the -- not only the neighboring countries, but all the regional countries, and even countries far away from Turkey. For instance, we have very close relations with Bulgaria and Romania. We actively participate in efforts for peace and stability in the Balkans. We have established very close relations with Georgia and Azerbaijan and the Central Asian countries, with the Russian Federation, with Ukraine, with Moldova, and, fortunately, in the recent weeks with Greeks -- with Greece.

I have always believed that both Turkey and Greece have every interest in cooperating in all fields of life, and -- (applause) -- and I have always wanted to see dialogue, a fruitful dialogue to be reestablished between the two neighboring and allied countries. I was very glad to observe that in

recent weeks, my friend and colleague, our minister of foreign affairs, Mr. Ismail Cem, and the Greek foreign minister, Mr. Papandreou, have established a very warm dialogue.

Of course, we should be realistic. It would not be realistic to expect the two ministers of foreign affairs to address the basic Aegean issue between the two countries because it's a rather complicated issue. But the important thing is to establish an atmosphere of mutual confidence in each other.

And we hope that the dialogue started between the two ministers of foreign affairs may help create such an atmosphere, which will be conducive to tackling the more sensitive issues in the near future.

I don't believe that it would be difficult to reach any conclusion on these matters because, again with regard to the Aegean, which is our common sea, it should not be difficult for us to reach positive and mutually satisfactory compromises.

In fact, when I became prime minister in 1978, I invited Mr. Karamanlis, a very experienced statesman who was the prime minister in Greece at that time, to meet with me in Montreux, which we did. And we decided to start an unpublicized dialogue to address the vitally important issues pertaining to the Aegean. It was going very well. But there took place a military intervention in Turkey, in mid-1980, and a change of governments in Greece and Turkey, so the dialogue was cut off. Now it is not as easy to start such a dialogue tackling the basic issues.

But we shouldn't be pessimistic. The important thing is to convince each other that we have no ambitions on each other's territories. Turkey never has had such ambitions.

Apart from Greece, we have close relations -- we have increasingly good relations now with Syria, to some extent with Iran. We have established very close relations with Israel in the recent years. And we have started establishing contacts and cooperation with most of the Middle Eastern countries, the North African countries. So we have been addressing the whole world anyway.

In trying to enlarge our worldwide cooperation. In the meantime, the European Union has refused to admit Turkey as a full member or even as a candidate. Yet we regard it as our lawful right to become a member because we have signed an association membership -- association agreement way back in the mid-'60s. And in 1996, we finalized the customs union with the European Union, but still we are not recognized even among the candidates.

Yet even if the European Union does not consider Turkey European enough, we have been in Europe for centuries; we have been a part of Europe historically, geographically and culturally. But in any case, the refusal of the United States (sic) has been somewhat educative for us. We have come to realize that although Western Europe is very important, the world is not confined to Western Europe, that there is a much larger world with which we could participate. So in a way, it helps us gain -- the refusal of membership in the European Union helped us give a vital outlook for the world.

Of course we have very close relations with the new Central Asian republics.

The majority of their peoples are of Turkish origin. A great number of prestigious Turkish schools have been opened after independence in those countries, and including in Russia. Around 70 students from these countries,

Central Asian countries, are studying in Turkey with Turkish scholarships. Thousands of Turkish firms have been operating in those countries in Central

Asia. The volume of our trade with them is over \$6 billion. And we have allotted a billion and a half dollar credits to facilitate the economic development of these countries.

These Central Asian republics and Azerbaijan regard the Turkish Republic as a model and mentor in the way to secular democracy and in adapting to market economy. We would like to cooperate with the United States for joint investments in these countries.

At the moment, some of these Central Asian countries are facing dangers from fundamentalist circles. But as I said, Turkey's experience in secularism has checked the infiltration of radical religious movements in our region.

So I have tried to give you a brief outline of the present situation and the problems that we meet in Turkey.

I shouldn't take up too much of the time of the questioners. And thank you very much for listening to me patiently.

MR. LIPMAN: Thank you. (Applause.)

Mr. Prime Minister, we have many questions and a few minutes. If you'll

-- (off mike). (Off-mike cross talk, technical adjustments.) I'm sorry. So I will

try to ask as many as time permits.

Let's talk about the earthquake first. Prior to the earthquake, Turkey was

seeking a \$5 billion loan from the IMF, the International Monetary Fund. Is it

likely that since the earthquake, the loan will be more than 5 billion?

PRIME MIN. ECEVIT: Oh, well, we have given up this request because -- actually,

we had asked for it before the -- no, after the earthquake, but later, a lot of

donations were promised, a great deal of credits were promised to alleviate the

problems that arose from the earthquake. So we didn't want to try to -- we

didn't want to put the administration in a difficult position by stressing such

a formula, the American guarantee, because it would have to go to the Congress,

and differences of opinion might emerge there. We cooperate very closely with

the American administration but not always with the Congress. I'm afraid. So we

did -- we thought that we could very well do without it.

MR. LIPMAN: Okay.

Is there still a debate over who's to blame for the heavy earthquake damage?

It was noted that in Taiwan, the earthquake damage was less destructive than in

Turkey, primarily because the buildings were reinforced with steel and not just

concrete. Is there any assurance that aid received by Turkey will not be wasted

by the failure to enforce building codes?

PRIME MIN. ECEVIT: Of course the public rightly accuses some irresponsible

contractors, builders, for having used non-resistant material and for not having

given sufficient attention to earthquake-proof measures. And of course, the

municipalities also are accused for failing in inspecting in an effective way

such buildings. So an overall change of the system with regard to buildings and

settlement is on the agenda.

Obviously, the settlers and the municipalities also didn't care to inquire as

to whether certain sites were strong -- were resistant enough to earthquakes, so

we have now to redress the situation by establishing the new settlements, instead of the ones that had been demolished, in safer grounds,

geologically.

So it's a comprehensive problem that has become now a priority in our agenda.

MR. LIPMAN: How is the Turkish government viewing the responsiveness of the

Kurdish rebels to Mr. Ocalan's call for peace, and do you see an actual peace

accord developing?

PRIME MIN. ECEVIT: As I said, they are encouraging some of their militants to

leave the country, but with their armaments, which means that they will wait

across the borders for -- (inaudible word) -- attacks on Turkey. If they want

to end terrorism completely, they should take advantage of the repentance law

that we have passed a few weeks ago.

MR. LIPMAN: What are you willing to grant them? Will you remove the legal

barriers to teaching the Kurdish language and permit more autonomy and self-government in Kurdish areas?

PRIME MIN. ECEVIT: As I said in my initial talk, we don't differentiate between

a Turk and a Kurd. And the population is mixed in the parts where Kurdish people reside, have resided over the centuries. But there are Kurdish

districts or districts heavily populated by people of Kurdish origin in all parts

of the country.

It is impossible to give autonomy to any ethnic group just in one part of the

country. Turkey -- the Turkish nation ethnically is as mixed as the American

nation, because over the centuries, people from all sorts of places, from all

ethnic groups, have migrated to Turkey. There are, for instance, more Albanians

in Turkey, or Turkish people of Albanian origin in Turkey, than in Kosovo. There are more Turkish -- (inaudible word) -- Turkish citizens of

Bosnians in

Turkey than in Bosnia-Herzegovina, and there are people of Kurdish origin mixed with non-Kurdish elements in all parts of the country. And, as I said, they enjoy exactly the same rights and possibilities. They can reach the highest administrative or ministry positions, and a great number of members of Parliament are partially or fully of Kurdish origin. And it is free to speak in Kurdish, to publish periodicals or to prepare cassettes in Kurdish.

But with regard to official schools, it's out of the question to offer classes in other countries -- for various ethnic elements. If we started that, several other groups also would ask for the same right.

But any Kurdish family or Kurdish group can give -- can educate children in the Kurdish language. But that also would present difficulties because there is no single Kurdish language; there are several Kurdish languages. So it would represent rather great difficulties in any case.

MR. LIPMAN: (Inaudible.)

Q Excuse me?

MR. LIPMAN: (Inaudible) -- the microphone -- (inaudible).

Q What is the status of Mr. Ocalan now that he has been convicted? Will his life be spared?

PRIME MIN. ECEVIT: Courts are completely independent in Turkey. Because of the crimes of the Kurdish separatist organization the PKK, he was convicted for capital punishment by a completely independent court.

Now, the case is before the High Court of Appeal. The procedure is that, if the High Court of Appeal approves the sentence on Abdullah Ocalan, it will go to the presidency. And the presidency may return it to the parliament. But if the parliament insists, the verdict could not be avoided, of course. But still, the case is before the High Court of Appeal.

I don't want to express any views before the juridical procedures have ended because, as prime minister, I would appear as if I was trying to influence the High Court of Appeal one way or the other. But as I said, the judiciary is completely independent in Turkey.

Thank you.

MR. LIPMAN: Well, there went my next question.

Amnesty International and the Committee to Protect Journalists, this week, expressed concern about another crackdown on five journalists in Turkey. As prime minister of the country, which jails the largest number of journalists according to this card, what steps are being taken to ensure freedom of the press?

PRIME MIN. ECEVIT: As I said earlier in my talk, we have already passed a law, two months ago, to free the journalists who were in prison, and they have been freed.

In a most recent case, just on the day I was leaving Turkey, the leader of a human rights committee, Akin Birdal has also been paroled. So this problem has ended.

MR. LIPMAN: Weren't five arrested this week?

PRIME MIN. ECEVIT: I don't know.

MR. LIPMAN: Okay.

PRIME MIN. ECEVIT: I haven't heard about it.

MR. LIPMAN: Let me ask you about a specific case. Although a number have been released, journalist Nadir Matir (sp) is standing trial for insulting the military in her book on interviews with Turkish soldiers who fought in the Southeast. What would you do to change this?

PRIME MIN. ECEVIT: We can't do anything because, as I said, the judiciary is completely independent in Turkey.

MR. LIPMAN: Please comment on Turkish press reports this week, according to which you have signed documents last spring for the annexation of the Turkish-occupied area of the Republic of Cyprus.

PRIME MIN. ECEVIT: We have annexed?

MR. LIPMAN: That's what the card says.

PRIME MIN. ECEVIT: It's news to me.

MR. LIPMAN: Okay.

PRIME MIN. ECEVIT: How was it formulated? I'm curious. (Laughter.)

MR. LIPMAN: Well, that was the question. (Laughter.)

PRIME MIN. ECEVIT: "Please comment on Turkish press reports last week"

-- MR. LIPMAN: -- "according to which you have signed documents for the annexation of the Turkish occupied areas of the Republic of Cyprus." PRIME MIN. ECEVIT:

That's news to me.

MR. LIPMAN: Okay. (Laughter.) Moving right along. But we are going to stick

with the question of Turkey and Cyprus.

PRIME MIN. ECEVIT: But is that press freedom, to write such unfounded things?

MR. LIPMAN: If you say that it didn't happen, then your word speaks for yourself.

We are applauding the exchange of good intentions between Turkey and Greece for peaceful coexistence. Can you tell us a little bit more about the future? And what do you think of the suggestion that talks between Turkish Cypriot and Greek Cypriot leaders should start on a proximity basis, not face to face? Do you

believe U.N.-led talks will take place next month?

PRIME MIN. ECEVIT: Well, for a real and lasting solution to the situation in Cyprus, the undeniable fact of the existence of two separate states must be accepted, must be realized. The Turks have been self-ruling since 1964, when all their constitutional rights were abrogated, and they had to live for a decade in ghettos. And in that time, under very difficult conditions, they had to govern themselves effectively out of necessity. And after the Turkish action of 1974 to prevent the results of a Greek junta's coup in Cyprus, we have -- Turks in Cyprus have established their own state in a very effective way. Although it's not yet recognized by any country except Turkey, it's a full-fledged state, independent state, completely democratic, with a very clean, high human rights record. And although it's not diplomatically recognized around the world, the diplomas of its six universities are accepted all over the world.

There are American professors, English professors, German professors and students in those six universities.

So it is an undeniable fact that whether one likes it or not, there are two separate and independent states in Cyprus. So in order to see that direct negotiations may start on the island, it is essential that this undeniable fact should be admitted publicly and that the two sides will participate in dialogue in completely equal status.

MR. LIPMAN: Would you support a confederation in Cyprus?

PRIME MIN. ECEVIT: Well, this is the recent proposal of Denktash, which we

support.

MR. LIPMAN: We have a couple of questions about Armenia. Let me summarize.

Basically the question is: Should the borders with Armenia be open to improve diplomatic and trade relations?

PRIME MIN. ECEVIT: We would very much like to initiate diplomatic relations with Armenia, provided that it gives up the territory it has occupied unlawfully from Azerbaijanis. There is now an ongoing dialogue between the presidents of the two countries -- Azerbaijan and Armenia. I hope they can reach an agreement, a fair agreement, which should include the returning of the occupied territories to their rightful owners. If that obstacle is overcome, then we can easily establish very fruitful neighborly relations with Armenia.

MR. LIPMAN: You are closer to the Russian collapse than we are. How are the Russian difficulties affecting your country?

PRIME MIN. ECEVIT: Economically it has affected us very heavily, as I said in my opening remarks, because Russia had become one of our (forthcoming?) trade partners, and Turkish contractors were busy building in Russia. But I am afraid the crisis in Russian economy has affected Turkish economy very badly. Apart from that, we have good relations with Russia. It's a very important neighbor for us, and we hope that they can solve -- the Russians can solve their problems in a peaceful manner.

Thank you.

MR. LIPMAN: What sectors of your economy offer the greatest potential for international trade and investment? And could you please tell us how your GAP,

the Southeastern Anatolia Development Project -- I guess it's Austria --

PRIME MIN. ECEVIT: Anatolia. Anatolia.

MR. LIPMAN: I'm sorry, I can't read this. Anatolia. Sorry about that -- Southeastern Anatolia Development Project is contributing to the southeast area's overall Turkish economy.

PRIME MIN. ECEVIT: The Southeastern Development Project, the abbreviation for which is GAP, is promising radical changes in the economic and social sector of the whole region. It's a very ambitious project, one of the most ambitious projects of the world. And we would very much like cooperating in

ventures to  
be established in the area to be positively affected by that project, as  
I said  
initially in my initial remarks. We would welcome American investors,  
particularly in the electricity sector, and all other sectors, any sector  
that  
they wish -- also, touristic establishments because although tourism has  
been  
flourishing in Turkey very rapidly, although about nine million tourists  
come to  
Turkey every year, the American tourists constitute only about 5 percent  
of that  
number. Yet we are very close friends, and Turkey is full of very  
alluring  
sites, if I may say so, historically and culturally. Of course, it is  
our duty  
as a nation, as a country to convince the people to come to Turkey more  
often  
and in great numbers. But I am sure they would enjoy it and it would be  
an  
additional contribution to our relations.

MR. LIPMAN: Your government recently changed the constitution to allow  
foreign  
companies to take business disputes to the International Court, but to do  
that  
your government agreed to allow former Premier Erbakan to return to  
politics.  
With what the court says is his extreme Islamic views, won't your party  
suffer  
because of this?

PRIME MIN. ECEVIT: I can't see any relationship between arbitration and  
Mr.  
Erbakan.

MR. LIPMAN: Well, let me ask you this: Will -- do you believe that your  
party  
will suffer because of Mr. Erbakan's return to politics?

PRIME MIN. ECEVIT: No, we wouldn't suffer, but he has been sentenced by  
court  
decision.

We have made the closure of parties more difficult with a recent  
legislative  
decision. But the courts sentenced Erbakan. It was not a government  
decision.

It was not an administrative decision. It was a court decision, and we  
can't do  
anything about it.

MR. LIPMAN: The Peace Corps served in Turkey from 1962 to 1970. Would the  
government of Turkey welcome a resumption of the program in such areas as  
the

teaching of English or health projects?

PRIME MIN. ECEVIT: Well, we can discuss with American authorities the  
form of  
cooperations that we can undertake.

MR. LIPMAN: On two occasions -- actually, I think it was three occasions  
-- you  
spent time in jail, imprisoned by the military regime. How did that  
experience

affect you? (Soft laughter.)

PRIME MIN. ECEVIT: A French writer -- I can't recall his name -- said  
that it  
would be a healthy thing for any politician to spend some time in jail.  
(Laughter, applause.)

MR. LIPMAN: Well, speaking of jail, this question asks: Could you  
comment on  
the recent situation in seven Turkish prisons which resulted in 70 guards  
being  
taken hostage? Why were 10 prisoners killed by the guards?

PRIME MIN. ECEVIT: I'm afraid the prisons are one of the most difficult  
and  
untested problems that we have in Turkey. In recent years some extremist  
militant groups have virtually established their authority in the jails  
where

they are serving sentences. They have been able to import all sorts of  
armaments, even fax facilities, even gas masks, and they have turned  
their wards  
into schools for training in terrorism and as headquarters for their  
followers

outside the jails. So there had to be made something against it. We  
have to  
change the ward system drastically, and the militants in the jails are  
objecting

to that. They are resisting that. But we have to normalize the  
situation in  
the jails.

Thank you.

MR. LIPMAN: Let me ask two sides of the same question.

Why is Turkey so receptive to women in politics? And, I understand a  
female  
federal legislator was expelled from office recently because she insisted  
on

covering her head in the Turkish Parliament. Aren't those two views --

PRIME MIN. ECEVIT: She was -- she became a candidate while not informing  
the  
authorities that she had dual citizenship. Dual citizenship is allowed in  
Turkey, it is constitutional, on the condition that the person involved  
should

ask for the permission of the authorities of his own country before  
adopting the

citizenship of another country also. But she kept it as a secret from the parliament and from the administrative bodies of the country, so that was obviously in violation of law.

With regard to the head scarf, the great number, perhaps majority of women in Turkey traditionally use head scarves, but recently some radical religious groups turned women's headgear into a symbol against secularism. A certain type of head scarf, particularly, was encouraged in the schools and public buildings.

People can dress as they wish in their private lives, but in all public places and schools, of course, there are regulations as there are in any country, in

any democratic country in the world. For instance, women serving in the police force has to wear a certain hat, a certain cap. But I'm afraid some circles in

Turkey have been using the women's head scarf for political purposes and many women who traditionally use head scarves object to it.

Thank you.

MR. LIPMAN: Mr. Prime Minister, I would like to thank you for coming here today, and present you with this certificate of appreciation for appearing before the National Press Club. The highly coveted National Press Club mug --

(Laughter.)

PRIME MIN. ECEVIT: (Chuckles.) Thank you.

MR. LIPMAN: You laugh. That is highly coveted. And I would like to make an announcement that the National Press Club, just this past week, has formed a reciprocal relationship with the Journalist Association of Ankara and as a member of that association, you are now entitled to all Press Club privileges.

So now I can present you with an honorary guest membership card at the National Press Club.

PRIME MIN. ECEVIT: Thank you.

MR. LIPMAN: Use it anytime you're over there! (Laughs.) Thank you, sir. (Applause.) Thank you for coming today, Mr. Prime Minister.

I would also like to thank National Press Club staff members: Leigh Ann Macklin, Pat Nelson, Jo Ann Booze, Melanie Abdow Dermott and Howard Rothman for organizing today's lunch. Also thanks to the National Press Club Library for their research.

I would also like to thank the manager and staff of the Willard Intercontinental Hotel for their hospitality and assistance.

We're adjourned.

Thank you, Mr. Prime Minister.

PRIME MIN. ECEVIT: Thank you very much. (Applause.)

END

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PARTICIPANTS:

ALEXIS M. HERMAN, SECRETARY OF LABOR  
WILLIAM M. DALEY, SECRETARY OF COMMERCE  
JOHN PODESTA, WHITE HOUSE CHIEF OF STAFF  
KENNETH PREWITT, CENSUS BUREAU CHIEF  
FORMER REP. FRED GRANDY, GOODWILL INDUSTRIES  
MICHELLE PATTERSON  
NATIONAL PRESS CLUB,  
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THIS IS A RUSH TRANSCRIPT. -----  
MR. UHALDE: Good morning, and thank you all for being here today, and  
welcome.  
My name is Ray Uhalde, and I am deputy assistant secretary of Labor for  
Employment Training. We are here today for a very exciting announcement  
about a  
very creative partnership between two federal agencies and a  
well-established,  
community-based organization, coming together to bring new opportunities  
for  
employment to hard-to-employ welfare recipients. I'd like to introduce  
to you a  
leader in this administration's battles to secure adequate funding under  
Welfare-to-Work, to place the hardest to employ welfare recipients into  
jobs,  
and to create new opportunities for them, John Podesta, the White House  
chief of  
staff.

MR. PODESTA: Thank you, Ray. And I want to welcome Secretary Herman and  
Secretary Daley, Ken Prewitt, Fred Grandy from Goodwill Industries, and  
Michelle

Patterson -- all of whom will speak briefly here this morning.  
And I want to start by making some important news, which is that the  
census is  
most decidedly not an unanticipated emergency, but it is essential. Every  
person counts, and that's why every person must be counted. And that's, I  
think, why we're so excited to see Secretaries Daley and Herman joining  
forces

in such an innovative initiative. As I've said, this is a win-win  
proposition.  
This welfare-to-work grant to Goodwill Industries reinforces two of the  
president's top priorities: helping more people who live in the poorest  
communities move from welfare to work, and helping the 2000 census get an  
accurate count of these communities so that no one is left behind.

In 1992, President Clinton promised to end welfare as we know it. And  
over the  
past seven years, we've seen revolutionary changes to promote work and  
responsibility. Since he took office, welfare rolls are down by nearly  
half and  
are at their lowest levels in 30 years. Nearly four times more of those on  
welfare are working and the employment rate of people receiving welfare  
in the  
previous year has increased by 70 percent. This initiative builds on the  
success of this administration's Welfare-to-Work efforts. Individuals are  
moving from welfare to work in record numbers. As the president  
announced last  
month in Chicago, all 50 states met the welfare reform law's overall work  
requirements in 1998. Record numbers of people on welfare are working,  
and  
numerous independent studies confirm that most people who have left  
welfare are  
working as well.

Companies have learned that Welfare-to-Work is good for business. Over  
12,000  
business of all kinds have joined the Welfare-to-Work partnership since  
May 1997  
when it was launched. These companies alone have hired an estimated  
410,000 from welfare. And I'm proud to say that the federal government is doing  
its  
part. Under the vice president's leadership, federal agencies have hired  
also  
over 14,000 former welfare recipients -- far beyond the goal of 10,000  
set in  
April of 1997. Commerce and Labor have surpassed their goals, with  
Commerce  
hiring over 5,000 former welfare recipients. We must follow through to  
help  
those still on welfare move to work and succeed in their jobs. The  
Welfare-to-Work grant awarded to Goodwill Industries today is an  
important step  
in that effort.

I want to make just a couple of points before I turn it over to Secretary  
Herman, which is that the president has called on Congress to reauthorize  
the  
Welfare-to-Work program and to invest an additional billion dollars in  
that  
program. The Welfare-to-Work will help more long-term welfare recipients  
and  
low-income fathers work and support their families. Funds are targeted  
to those  
individual in communities who need the help most, and we think this  
program is  
vital and ought to be reauthorized. And I would add that the president  
also  
urges Congress not to renege on its bipartisan commitment to welfare  
reform.

There have been proposals to cut or delay TANF payments to the states. We  
think  
those are misguided and ill-formed, and we urge the Congress not to  
proceed with  
them.

We've made tremendous progress moving people from welfare to work. The  
grant

awarded today testifies to that. Now it's time for Congress to join the president in building on these gains for the year 2000 and beyond.

With that, let me introduce our Secretary of Labor, who has been so committed to this effort and done so much in the Welfare-to-Work arena. Secretary Herman.

SEC. HERMAN: Good morning. Thank you very, very much. John Podesta, for your introduction. But we especially thank you this morning for your leadership and for all that you've done as our chief of staff at the White House to ensure that we can continue to invest in those who are making the transition today from welfare to work.

Clearly, this is an important morning for us, and I am very pleased to join my colleague, Secretary Daley, I want to thank him this morning, Ken Prewitt of the Census Bureau, and Fred Grandy of Goodwill Industries for being here today. And

I want to thank all of you for being committed to providing more Americans with the opportunity to move from the limitations to the unlimited promise of work.

Because with unemployment today literally at a 30-year low with inflation in check, certainly with productivity rising, with wages also rising in line with productivity, there is no question that this is an economy today with enormous opportunity. But where there is opportunity there is also challenge.

And we recognize that one of the biggest challenges that we still face are helping those individuals make the transition today from welfare to work. Both President Clinton and Vice President Gore certainly recognize that in order for welfare reform to succeed over the long-haul, that it was very important to focus on families who are literally facing the longest road. So

together with Congress, the administration did provide \$3 billion to the Department of Labor in grants to help families who need it the most get the help that they will need to make that transition today from welfare to work. And clearly, as John Podesta has already said, it is important to recognize that you don't change a 65-year-old program in just three to four years, and so now is not the time to pull the rug out from under an effort that has been successful in helping families make that transition from the welfare rolls to the dignity of work, and it is work that we need to continue. This was not just another

"inside the Beltway" program, but we clearly have invested in solutions and strategies that are outside of the box and that are working. Today, Secretary Daley and I are proud to announce \$20 million in a grant to the Goodwill Industries International Corporation to place Welfare-to-Work participants in jobs with the 2000 census effort -- jobs that will open the doors of opportunity for those who still face the most barriers to getting off the welfare rolls and onto the payrolls.

We have people with poor work histories or limited English proficiency; people with substance abuse problems or low basic skills; people who want to move from the dependency of welfare to the self-sufficiency of work. Goodwill Industries already has a successful track record in communities throughout our nation today, and this grant will allow them to use their expertise to match welfare recipients with good-paying jobs in their local census offices. Through Goodwill, these new workers will also receive the crucial support that every successful worker requires -- child care, transportation and training. Best of all, they will get vital experience and post-employment assistance that can provide the next secure step up the ladder of success, because this partnership is not just tied to a job, but it is tied to a real future.

As Secretary Daley and Ken Prewitt will tell you, many of the hardest employ certainly come from communities that are the hardest to count, communities that need federal funding and community services the most, communities that literally are pools of potential for us, and we recognize that by tapping into these pools of potential that we literally will open up oceans of opportunity. So, by standing up to be counted as a part of the American workforce, these new workers will ensure that their communities are counted as a part of the American

landscape today.  
This effort is just one example of the many innovative welfare- to-work partnerships that we're funding throughout the country today, in partnership with state and local governments, community and faith- based organizations, and employers -- partnerships that are preparing workers to meet the challenges of the future, because when we look to the future, we certainly recognize that our world today is changing at warp speed, with the impact of globalization and technology. The question really is not so much how will the future shape us, but how will we shape the future. And clearly by investing in these new workers, by recognizing that to the extent that all Americans have to become skill ready to meet the challenges of this new economy, that we are certainly doing our part to make sure that this is going to be an economy that leaves no one behind, and that we're doing our part in this administration to see that we continue to make the promise of America the practice of America.  
And now it is my pleasure to introduce someone who works very hard every day to ensure that this is a promise that we are in fact keeping to the American people. He works hard every day to open up the doors, especially for the business community in our country. I am proud to call him my friend, my colleague in the cabinet, but especially an innovative partner on this Census 2000 effort, Secretary Richard Daley.

SEC. DALEY: Thank you very much, Secretary Herman. Let me first acknowledge the chief of staff to the president, John Podesta. His presence here is a strong statement, not only of the president's, the importance that Welfare-to-Work plays in this administration but to John personally, and the fact that he is so committed to making this work, because this very well could be one of the most important steps by government in the last 45 years, in my opinion, as we come to the end of the century. So, it's a real statement that he is here today, in spite of the enormous pressures on his time, as chief of staff to the president. To Michelle Patterson, and to Fred Grandy, and to Ken Prewitt, and of course, my colleague Alexis Herman.  
Few people know that when the Commerce Department was originally established it was the Commerce and Labor Department. A few years later, Labor left and took all the money with them, and now it's nice to come back and get a few bucks from Labor. So, I'm extremely happy with this opportunity to speak with you.  
Let me put this, the importance of today, in context, if I may, the \$20 million grant to Goodwill. Next year, there's no question that the biggest job that will face the federal government will be conducting the 2000 census. At some point next year, we will have about 850,000 people knocking on doors around America and counting every person who is in America. That is the largest peacetime mobilization in our nation's history. And as we know, it comes at a time of unparalleled low unemployment, obviously making this extremely difficult for us to find workers. So, the job recruitment effort comes in the nick of time.  
When you think about it, the 10,000 workers that Goodwill is helping us to find, are just one or two percent of the enormous army which we will need. But there is no doubt that these 10,000 former welfare recipients will be amongst the most important people that the Census Bureau will hire. I say that because the ideal census taker for us is a person who lives in a neighborhood. It is someone who knows the territory and knows the families in the area in which they live. It is someone who knows which buildings are occupied, and it is someone who knows where the children are and how many children there may be in the building. This is so important to us, because half the people who are missed in the 1990 census were children.  
The job of these new workers will be to find people who may not be sending their census forms back, and whose forms may be incomplete. We anticipate that only about 60 percent of Americans will respond to the census questionnaires what we mail out early in April. So that means that these workers will be part of an army that physically knocks on some 46 million doors to retrieve information from people who are in America next year. If a household

does not  
send back their form and a census taker goes and knocks on the door, who  
will  
those people who will be on that side of the door trust? Someone that is  
a

stranger to them, or someone from their community?  
Goodwill Industries will be helping us find workers in areas where they  
will be  
needed most. As we know, Goodwill is located in the heart of so many  
cities in  
America. This makes it easier for many of these people moving into the  
workforce to get employee training classes, and also the support services  
that  
are absolutely vital. The workers will receive competitive salaries, and  
these  
are good jobs. Most if not all of the men and woman who are making the  
transition from welfare to work, as we all know, would rather have a job  
that is  
close to their home, and these jobs will be close to homes. And by  
establishing  
a work history with the census, the workers will position themselves for  
more  
permanent employment. As part of Goodwill's grant, they will be helping  
them  
find permanent jobs after our census work is done.

At Commerce, we have had very positive experiences in hiring people off  
welfare. When President Clinton and Vice President Gore announced the  
federal  
Welfare-to-Work initiative two years ago, we set a goal of 4,000 people.  
And we  
started bringing people on board at Census and other Commerce agencies.  
We  
reached our goal last March, and as of this past Friday, we have hired  
more than  
5, 553 Welfare-to- work employees. That is the most of any federal  
agency and  
we are tremendously proud of that activity. And we look forward to adding  
thousands of more recruits that Goodwill will find.

Let me make one final point, if I may. If the 2000 census is to be the  
best  
ever -- which is clearly our goal -- we need to full cooperation of many  
partners. The Census Bureau has worked extremely hard to bring business,  
non-profits, cities and counties together to help in this partnership.

And I  
want to thank Secretary Herman and the Labor Department for the tremendous  
assistance which they have given us. The fact is, all the federal  
government is  
invested, and should be vested, in the census. Results are used, as we  
know, to  
allocate over \$200 billion in federal funds. And whether this money is  
allocated right or wrong will depend upon how good of a job we do next  
year.

So, it is in the interest of every federal agency to join together in  
this

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

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

CREATION DATE/TIME:18-JUL-2000 17:48:50.00

SUBJECT: Exactly the wrong story that we are hoping to avoid...

TO: Kenneth W. Bernard ( CN=Kenneth W. Bernard/OU=NSC/O=EOP@EOP [ NSC ] )  
READ:UNKNOWN

TO: Richard M. Samans ( CN=Richard M. Samans/OU=OPD/O=EOP@EOP [ OPD ] )  
READ:UNKNOWN

TO: Gayle E. Smith ( CN=Gayle E. Smith/OU=NSC/O=EOP@EOP [ NSC ] )  
READ:UNKNOWN

TO: Laura L. Efros ( CN=Laura L. Efros/OU=OSTP/O=EOP@EOP [ OSTP ] )  
READ:UNKNOWN

TO: Leon S. Fuerth ( CN=Leon S. Fuerth/OU=OVP/O=EOP@EOP [ OVP ] )  
READ:UNKNOWN

CC: Sharon H. Yuan ( CN=Sharon H. Yuan/OU=OPD/O=EOP@EOP [ OPD ] )  
READ:UNKNOWN

CC: Patrick M. Dorton ( CN=Patrick M. Dorton/OU=OPD/O=EOP@EOP [ OPD ] )  
READ:UNKNOWN

TEXT:

Patrick--

Do you have a sense whether he is writing for tomorrow? If so, we should try to turn the story around.

----- Forwarded by Lael Brainard/OPD/EOP on 07/18/2000  
05:47 PM -----

Patrick M. Dorton  
07/18/2000 11:20:14 AM  
Record Type: Record

To: Lael Brainard/OPD/EOP@EOP  
cc: Sharon H. Yuan/OPD/EOP@EOP  
Subject:

Mike Phillips (862-9262) at The Wall Street Journal is doing a story on Ex-Im and financing for U.S. drug companies selling AIDs drugs to Africa. The issue is that these countries would become more indebted. Mike has heard that ExIm was going to announce on Wed., but has now put it off at least in part because others in the Administration may have concerns about the debt issue. He is fishing for anything we have -- internal views, where does this stand, whatver.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Nanda Chitre ( CN=Nanda Chitre/OU=WHO/O=EOP [ WHO ] )

CREATION DATE/TIME:22-JUL-2000 22:57:09.00

SUBJECT: 07/23 OTR Sperling briefing on school lunch/poor countries initiative

TO: Pub\_Arch ( Pub\_Arch [ UNKNOWN ] )  
READ:UNKNOWN

TO: wh-outbox-distr@pub.pub.whitehouse.gov@TNET ( wh-outbox-distr@pub.pub.whitehouse.gov@TNET [ UNKNOWN ] )  
READ:UNKNOWN

TO: Releases@pub.pub.whitehouse.gov@tnet ( Releases@pub.pub.whitehouse.gov@tnet [ UNKNOWN ] )  
READ:UNKNOWN

TO: releases@www0.whitehouse.gov@tnet ( releases@www0.whitehouse.gov@tnet [ UNKNOWN ] )  
READ:UNKNOWN

TO: releases@staging1.eop.gov@TNET ( releases@staging1.eop.gov@TNET [ UNKNOWN ] )  
READ:UNKNOWN

TO: backup@wilson.ai.mit.edu@TNET ( backup@wilson.ai.mit.edu@TNET [ UNKNOWN ] )  
READ:UNKNOWN

TO: releases@pub.pub.whitehouse.gov@TNET ( releases@pub.pub.whitehouse.gov@TNET [ UNKNOWN ] )  
READ:UNKNOWN

TO: Julie A. Cornelius ( CN=Julie A. Cornelius/OU=WHO/O=EOP@EOP [ WHO ] )  
READ:UNKNOWN

TO: William T. Endicott ( CN=William T. Endicott/OU=WHO/O=EOP@EOP [ WHO ] )  
READ:UNKNOWN

TO: jpayne643@hotmail.com ( jpayne643@hotmail.com [ UNKNOWN ] )  
READ:UNKNOWN

TO: Alexander N. Gertsen ( CN=Alexander N. Gertsen/OU=WHO/O=EOP@EOP [ WHO ] )  
READ:UNKNOWN

TO: LaJaycee Brown ( CN=LaJaycee Brown/OU=WHO/O=EOP@EOP [ WHO ] )  
READ:UNKNOWN

TO: Alice C. Cook ( CN=Alice C. Cook/OU=WHO/O=EOP@EOP [ WHO ] )  
READ:UNKNOWN

TO: Brian A. Reich ( CN=Brian A. Reich/OU=OVP/O=EOP@EOP [ OVP ] )  
READ:UNKNOWN

TO: Leah F. Pisar ( CN=Leah F. Pisar/OU=NSC/O=EOP@EOP [ NSC ] )  
READ:UNKNOWN

TO: Ann Marie Wallace ( CN=Ann Marie Wallace/OU=WHO/O=EOP@EOP [ WHO ] )  
READ:UNKNOWN

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TO: Elizabeth E. Baylor ( CN=Elizabeth E. Baylor/OU=WHO/O=EOP@EOP [ WHO ] )  
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TO: David Halperin ( CN=David Halperin/OU=NSC/O=EOP@EOP [ NSC ] )  
READ:UNKNOWN

TO: Elliott H. Baer ( CN=Elliott H. Baer/OU=OPD/O=EOP@EOP [ OPD ] )  
READ:UNKNOWN

TO: Philip J. Crowley ( CN=Philip J. Crowley/OU=NSC/O=EOP@EOP [ NSC ] )  
READ:UNKNOWN

TO: Stephanie Adler ( CN=Stephanie Adler/OU=OA/O=EOP@EOP [ OA ] )  
READ:UNKNOWN

TO: IIP-PRESS@lists.state.gov ( IIP-PRESS@lists.state.gov [ UNKNOWN ] )  
READ:UNKNOWN

TO: Heather H. Howard ( CN=Heather H. Howard/OU=OPD/O=EOP@EOP [ OPD ] )  
READ:UNKNOWN

TO: kmoran@exchange.usia.gov ( kmoran@exchange.usia.gov [ UNKNOWN ] )  
READ:UNKNOWN

TO: Jennifer L. Dewitt ( CN=Jennifer L. Dewitt/OU=WHO/O=EOP@EOP [ WHO ] )  
READ:UNKNOWN

TO: BARRY\_TOIV@was.bm.com ( BARRY\_TOIV@was.bm.com [ UNKNOWN ] )  
READ:UNKNOWN

TO: Linda Sinoway ( CN=Linda Sinoway/OU=WHO/O=EOP@EOP [ WHO ] )  
READ:UNKNOWN

TO: Angela Blake ( CN=Angela Blake/OU=WHO/O=EOP@EOP [ WHO ] )  
READ:UNKNOWN

TO: Lissa Muscatine ( CN=Lissa Muscatine/OU=WHO/O=EOP@EOP [ WHO ] )  
READ:UNKNOWN

TO: Erica R. Morris ( CN=Erica R. Morris/OU=WHO/O=EOP@EOP [ WHO ] )  
READ:UNKNOWN

TO: Helen L. Langan ( CN=Helen L. Langan/OU=WHO/O=EOP@EOP [ WHO ] )  
READ:UNKNOWN

TO: William T. Glunz ( CN=William T. Glunz/OU=WHO/O=EOP@EOP [ WHO ] )  
READ:UNKNOWN

TO: Paul K. Orzulak ( CN=Paul K. Orzulak/OU=NSC/O=EOP@EOP [ NSC ] )  
READ:UNKNOWN

TO: Mara A. Silver ( CN=Mara A. Silver/OU=WHO/O=EOP@EOP [ WHO ] )  
READ:UNKNOWN

TO: RSocarides@rlmnet.com ( RSocarides@rlmnet.com [ UNKNOWN ] )  
READ:UNKNOWN

TO: Elizabeth J. Potter ( CN=Elizabeth J. Potter/OU=WHO/O=EOP@EOP [ WHO ] )  
READ:UNKNOWN

TO: Sean R. Dobson ( CN=Sean R. Dobson/OU=OPD/O=EOP@EOP [ OPD ] )  
READ:UNKNOWN

TO: Renee Sagiv ( CN=Renee Sagiv/OU=WHO/O=EOP@EOP [ WHO ] )  
READ:UNKNOWN

TO: Adrian E. Miller ( CN=Adrian E. Miller/OU=WHO/O=EOP@EOP [ WHO ] )  
READ:UNKNOWN

TO: Victoria L. Valentine ( CN=Victoria L. Valentine/OU=WHO/O=EOP@EOP [ WHO ] )  
READ:UNKNOWN

TO: Brian A. Barreto ( CN=Brian A. Barreto/OU=WHO/O=EOP@EOP [ WHO ] )  
READ:UNKNOWN

TO: Erica\_Lepping@ed.gov ( Erica\_Lepping@ed.gov [ UNKNOWN ] )  
READ:UNKNOWN

TO: Sonya N. Hebert ( CN=Sonya N. Hebert/OU=WHO/O=EOP@EOP [ WHO ] )  
READ:UNKNOWN

TO: Emily Karcher ( CN=Emily Karcher/OU=WHO/O=EOP@EOP [ WHO ] )  
READ:UNKNOWN

TO: Jenni R. Engebretsen ( CN=Jenni R. Engebretsen/OU=WHO/O=EOP@EOP [ WHO ] )  
READ:UNKNOWN

TO: Jordanindc@aol.com ( Jordanindc@aol.com [ UNKNOWN ] )  
READ:UNKNOWN

TO: Rebecca J. Salay ( CN=Rebecca J. Salay/OU=WHO/O=EOP@EOP [ WHO ] )  
READ:UNKNOWN

TO: Lisel Loy ( CN=Lisel Loy/OU=WHO/O=EOP@EOP [ WHO ] )  
READ:UNKNOWN

TO: Debra D. Alexander ( CN=Debra D. Alexander/OU=WHO/O=EOP@EOP [ WHO ] )  
READ:UNKNOWN

TO: Lisa Ferdinando ( CN=Lisa Ferdinando/OU=WHO/O=EOP@EOP [ WHO ] )  
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TO: Justin G. Cooper ( CN=Justin G. Cooper/OU=WHO/O=EOP@EOP [ WHO ] )  
READ:UNKNOWN

TO: Terry Edmonds ( CN=Terry Edmonds/OU=WHO/O=EOP@EOP [ WHO ] )  
READ:UNKNOWN

TO: Bridget T. Leininger ( CN=Bridget T. Leininger/OU=WHO/O=EOP@EOP [ WHO ] )  
READ:UNKNOWN

TO: Matthew T. Schneider ( CN=Matthew T. Schneider/OU=WHO/O=EOP@EOP [ WHO ] )  
READ:UNKNOWN

TO: Anne W. Bovaird ( CN=Anne W. Bovaird/OU=WHO/O=EOP@EOP [ WHO ] )  
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TO: Francisco J. Sanchez ( CN=Francisco J. Sanchez/OU=WHO/O=EOP@EOP [ WHO ] )  
READ:UNKNOWN

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

TO: Fern Mechlowitz ( CN=Fern Mechlowitz/OU=WHO/O=EOP@EOP [ WHO ] )  
READ:UNKNOWN

TO: Irma L. Martinez ( CN=Irma L. Martinez/OU=WHO/O=EOP@EOP [ WHO ] )  
READ:UNKNOWN

TO: MichaelT@ag.state.ar.us ( MichaelT@ag.state.ar.us [ UNKNOWN ] )  
READ:UNKNOWN

TO: John H. Corcoran III ( CN=John H. Corcoran III/OU=WHO/O=EOP@EOP [ WHO ] )  
READ:UNKNOWN

TO: Sally Katzen ( CN=Sally Katzen/OU=OMB/O=EOP@EOP [ OMB ] )  
READ:UNKNOWN

TO: Alberto O. Feraren ( CN=Alberto O. Feraren/OU=OA/O=EOP@EOP [ OA ] )  
READ:UNKNOWN

TO: Jason H. Schechter ( CN=Jason H. Schechter/OU=WHO/O=EOP@EOP [ WHO ] )  
READ:UNKNOWN

TO: newsdesk@usnewswire.com ( newsdesk@usnewswire.com [ UNKNOWN ] )  
READ:UNKNOWN

TO: usia01@access.digex.com ( usia01@access.digex.com [ UNKNOWN ] )  
READ:UNKNOWN

TO: skgmd@umich.edu ( skgmd@umich.edu [ UNKNOWN ] )  
READ:UNKNOWN

TO: dmilbank@tnr.com ( dmilbank@tnr.com [ UNKNOWN ] )  
READ:UNKNOWN

TO: Joseph B. Trahern ( CN=Joseph B. Trahern/OU=WHO/O=EOP@EOP [ WHO ] )  
READ:UNKNOWN

TO: Natalie S. Wozniak ( CN=Natalie S. Wozniak/OU=NSC/O=EOP@EOP [ NSC ] )  
READ:UNKNOWN

TO: Lowell A. Weiss ( CN=Lowell A. Weiss/OU=WHO/O=EOP@EOP [ WHO ] )  
READ:UNKNOWN

TO: Janice H. Vranich ( CN=Janice H. Vranich/OU=WHO/O=EOP@EOP [ WHO ] )  
READ:UNKNOWN

TO: Loretta M. Ucelli ( CN=Loretta M. Ucelli/OU=WHO/O=EOP@EOP [ WHO ] )  
READ:UNKNOWN

TO: June G. Turner ( CN=June G. Turner/OU=WHO/O=EOP@EOP [ WHO ] )

READ:UNKNOWN

TO: Serena C. Torrey ( CN=Serena C. Torrey/OU=WHO/O=EOP@EOP [ WHO ] )  
READ:UNKNOWN

TO: Sarah E. Gegenheimer ( CN=Sarah E. Gegenheimer/OU=WHO/O=EOP@EOP [ WHO ] )  
READ:UNKNOWN

TO: Dana C. Strand ( CN=Dana C. Strand/OU=WHO/O=EOP@EOP [ WHO ] )  
READ:UNKNOWN

TO: Richard L. Siewert ( CN=Richard L. Siewert/OU=WHO/O=EOP@EOP [ WHO ] )  
READ:UNKNOWN

TO: June Shih ( CN=June Shih/OU=WHO/O=EOP@EOP [ WHO ] )  
READ:UNKNOWN

TO: Laura D. Schwartz ( CN=Laura D. Schwartz/OU=WHO/O=EOP@EOP [ WHO ] )  
READ:UNKNOWN

TO: Christopher K. Scully ( CN=Christopher K. Scully/OU=WHO/O=EOP@EOP [ WHO ] )  
READ:UNKNOWN

TO: Steven J. Naplan ( CN=Steven J. Naplan/OU=NSC/O=EOP@EOP [ NSC ] )  
READ:UNKNOWN

TO: G. Timothy Saunders ( CN=G. Timothy Saunders/OU=WHO/O=EOP@EOP [ WHO ] )  
READ:UNKNOWN

TO: Peter Rundlet ( CN=Peter Rundlet/OU=WHO/O=EOP@EOP [ WHO ] )  
READ:UNKNOWN

TO: Heather M. Riley ( CN=Heather M. Riley/OU=WHO/O=EOP@EOP [ WHO ] )  
READ:UNKNOWN

TO: TDIXON@smtpgate.mac.whca.mil ( TDIXON@smtpgate.mac.whca.mil [ UNKNOWN ] )  
READ:UNKNOWN

TO: Julia M. Payne ( CN=Julia M. Payne/OU=WHO/O=EOP@EOP [ WHO ] )  
READ:UNKNOWN

TO: Ellen E. Olcott ( CN=Ellen E. Olcott/OU=WHO/O=EOP@EOP [ WHO ] )  
READ:UNKNOWN

TO: Melissa M. Murray ( CN=Melissa M. Murray/OU=WHO/O=EOP@EOP [ WHO ] )  
READ:UNKNOWN

TO: Kimberlin L. Love ( CN=Kimberlin L. Love/OU=OVP/O=EOP@EOP [ OVP ] )  
READ:UNKNOWN

TO: Ann F. Lewis ( CN=Ann F. Lewis/OU=WHO/O=EOP@EOP [ WHO ] )  
READ:UNKNOWN

TO: Sarah S. Knight ( CN=Sarah S. Knight/OU=WHO/O=EOP@EOP [ WHO ] )  
READ:UNKNOWN

TO: Mark A. Kitchens ( CN=Mark A. Kitchens/OU=WHO/O=EOP@EOP [ WHO ] )  
READ:UNKNOWN

TO: John\_See@ed.gov ( John\_See@ed.gov [ UNKNOWN ] )  
READ:UNKNOWN

TO: Wayne C. Johnson ( CN=Wayne C. Johnson/OU=OA/O=EOP@EOP [ OA ] )  
READ:UNKNOWN

TO: Thomas D. Janenda ( CN=Thomas D. Janenda/OU=WHO/O=EOP@EOP [ WHO ] )  
READ:UNKNOWN

TO: Marty J. Hoffmann ( CN=Marty J. Hoffmann/OU=WHO/O=EOP@EOP [ WHO ] )  
READ:UNKNOWN

TO: Michael A. Hammer ( CN=Michael A. Hammer/OU=NSC/O=EOP@EOP [ NSC ] )  
READ:UNKNOWN

TO: Wendy E. Gray ( CN=Wendy E. Gray/OU=NSC/O=EOP@EOP [ NSC ] )  
READ:UNKNOWN

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

TO: Rachel E. Forde ( CN=Rachel E. Forde/OU=WHO/O=EOP@EOP [ WHO ] )  
READ:UNKNOWN

TO: Jennifer Ferguson ( CN=Jennifer Ferguson/OU=OMB/O=EOP@EOP [ OMB ] )  
READ:UNKNOWN

TO: Anne M. Edwards ( CN=Anne M. Edwards/OU=WHO/O=EOP@EOP [ WHO ] )  
READ:UNKNOWN

TO: Debra D. Bird ( CN=Debra D. Bird/OU=WHO/O=EOP@EOP [ WHO ] )  
READ:UNKNOWN

TO: Daniel W. Burkhardt ( CN=Daniel W. Burkhardt/OU=WHO/O=EOP@EOP [ WHO ] )  
READ:UNKNOWN

TO: Elliot J. Diringier ( CN=Elliot J. Diringier/OU=WHO/O=EOP@EOP [ WHO ] )  
READ:UNKNOWN

TO: Lynn G. Cutler ( CN=Lynn G. Cutler/OU=WHO/O=EOP@EOP [ WHO ] )  
READ:UNKNOWN

TO: Delia A. Cohen ( CN=Delia A. Cohen/OU=WHO/O=EOP@EOP [ WHO ] )  
READ:UNKNOWN

TO: George G. Caudill ( CN=George G. Caudill/OU=WHO/O=EOP@EOP [ WHO ] )  
READ:UNKNOWN

TO: Mary E. Cahill ( CN=Mary E. Cahill/OU=WHO/O=EOP@EOP [ WHO ] )  
READ:UNKNOWN

TO: Karen C. Burchard ( CN=Karen C. Burchard/OU=WHO/O=EOP@EOP [ WHO ] )  
READ:UNKNOWN

TO: Antony J. Blinken ( CN=Antony J. Blinken/OU=NSC/O=EOP@EOP [ NSC ] )  
READ:UNKNOWN

TO: Ralph Alswang ( CN=Ralph Alswang/OU=WHO/O=EOP@EOP [ WHO ] )  
READ:UNKNOWN

TO: Deborah Akel ( CN=Deborah Akel/OU=WHO/O=EOP@EOP [ WHO ] )  
READ:UNKNOWN

TO: Margaret M. Suntum ( CN=Margaret M. Suntum/OU=WHO/O=EOP@EOP [ WHO ] )  
READ:UNKNOWN

TO: Valerie J. Owens ( CN=Valerie J. Owens/OU=WHO/O=EOP@EOP [ WHO ] )  
READ:UNKNOWN

TO: Drew T. Gardiner ( CN=Drew T. Gardiner/OU=WHO/O=EOP@EOP [ WHO ] )  
READ:UNKNOWN

TO: Kristina Wolfe ( CN=Kristina Wolfe/OU=OVP/O=EOP@EOP [ OVP ] )  
READ:UNKNOWN

TO: tkinser@freedomforum.org ( tkinser@freedomforum.org [ UNKNOWN ] )  
READ:UNKNOWN

TO: Raj Adlakha ( CN=Raj Adlakha/OU=WHO/O=EOP@EOP [ WHO ] )  
READ:UNKNOWN

TO: Adam L. Rosman ( CN=Adam L. Rosman/OU=WHO/O=EOP@EOP [ WHO ] )  
READ:UNKNOWN

TO: Rachael F. Goldfarb ( CN=Rachael F. Goldfarb/OU=WHO/O=EOP@EOP [ WHO ] )  
READ:UNKNOWN

TO: Brooke D. Anderson ( CN=Brooke D. Anderson/OU=NSC/O=EOP@EOP [ NSC ] )  
READ:UNKNOWN

TO: Marc I. Hurwitz ( CN=Marc I. Hurwitz/OU=NSC/O=EOP@EOP [ NSC ] )  
READ:UNKNOWN

TO: Jeffrey K. Nussbaum@OVP ( Jeffrey K. Nussbaum@OVP [ UNKNOWN ] )  
READ:UNKNOWN

TO: Zina C. Pierre ( CN=Zina C. Pierre/OU=WHO/O=EOP@EOP [ WHO ] )  
READ:UNKNOWN

TO: Daniel R. Wilson ( CN=Daniel R. Wilson/OU=OMB/O=EOP@EOP [ OMB ] )  
READ:UNKNOWN

TO: anders@lifetimetv.com ( anders@lifetimetv.com [ UNKNOWN ] )  
READ:UNKNOWN

TO: David B. Stockwell ( CN=David B. Stockwell/OU=NSC/O=EOP@EOP [ NSC ] )  
READ:UNKNOWN

TO: Seth J. Applebaum ( CN=Seth J. Applebaum/OU=WHO/O=EOP@EOP [ WHO ] )  
READ:UNKNOWN

TO: George E. Lewis ( CN=George E. Lewis/OU=OA/O=EOP@EOP [ OA ] )  
READ:UNKNOWN

TO: Lauren M. Supina ( CN=Lauren M. Supina/OU=WHO/O=EOP@EOP [ WHO ] )  
READ:UNKNOWN

TO: Carolyn E. Cleveland ( CN=Carolyn E. Cleveland/OU=WHO/O=EOP@EOP [ WHO ] )  
READ:UNKNOWN

TO: Brooke B. Livingston ( CN=Brooke B. Livingston/OU=OMB/O=EOP@EOP [ OMB ] )  
READ:UNKNOWN

TO: Taneesha J. Johnson ( CN=Taneesha J. Johnson/OU=WHO/O=EOP@EOP [ WHO ] )  
READ:UNKNOWN

TO: John T. Liipfert ( CN=John T. Liipfert/OU=WHO/O=EOP@EOP [ WHO ] )  
READ:UNKNOWN

TO: Alon J. Kupferman ( CN=Alon J. Kupferman/OU=WHO/O=EOP@EOP [ WHO ] )  
READ:UNKNOWN

TO: Ted Widmer ( CN=Ted Widmer/OU=NSC/O=EOP@EOP [ NSC ] )  
READ:UNKNOWN

TO: Jennifer I. Hoelzer ( CN=Jennifer I. Hoelzer/OU=NSC/O=EOP@EOP [ NSC ] )  
READ:UNKNOWN

TO: kamena@washpost.com ( kamena@washpost.com [ UNKNOWN ] )  
READ:UNKNOWN

TO: Eileen P. McCaughey ( CN=Eileen P. McCaughey/OU=WHO/O=EOP@EOP [ WHO ] )  
READ:UNKNOWN

TO: James E. Kennedy ( CN=James E. Kennedy/OU=WHO/O=EOP@EOP [ WHO ] )  
READ:UNKNOWN

TO: Pamela P. Carpenter ( CN=Pamela P. Carpenter/OU=WHO/O=EOP@EOP [ WHO ] )  
READ:UNKNOWN

TO: Heather F. Hurlburt ( CN=Heather F. Hurlburt/OU=WHO/O=EOP@EOP [ WHO ] )  
READ:UNKNOWN

TO: Christine L. Anderson ( CN=Christine L. Anderson/OU=WHO/O=EOP@EOP [ WHO ] )  
READ:UNKNOWN

TO: Mark D. Magana ( CN=Mark D. Magana/OU=WHO/O=EOP@EOP [ WHO ] )  
READ:UNKNOWN

TO: Maureen A. Hudson ( CN=Maureen A. Hudson/OU=WHO/O=EOP@EOP [ WHO ] )  
READ:UNKNOWN

TO: Stephen N. Boyd ( CN=Stephen N. Boyd/OU=WHO/O=EOP@EOP [ WHO ] )  
READ:UNKNOWN

TO: Gilbert S. Gonzalez ( CN=Gilbert S. Gonzalez/OU=WHO/O=EOP@EOP [ WHO ] )  
READ:UNKNOWN

TO: Deanne E. Benos ( CN=Deanne E. Benos/OU=OPD/O=EOP@EOP [ OPD ] )  
READ:UNKNOWN

TO: kit.judge@mail.house.gov ( kit.judge@mail.house.gov [ UNKNOWN ] )

READ:UNKNOWN

TO: jonathan.kaplan@varsitybooks.com ( jonathan.kaplan@varsitybooks.com [ UNKNOWN ] )  
READ:UNKNOWN

TO: Adrienne K. Elrod ( CN=Adrienne K. Elrod/OU=WHO/O=EOP@EOP [ WHO ] )  
READ:UNKNOWN

TO: masonjulie@aol.com ( masonjulie@aol.com [ UNKNOWN ] )  
READ:UNKNOWN

TO: sean.carr@cnn.com ( sean.carr@cnn.com [ UNKNOWN ] )  
READ:UNKNOWN

TO: Kymberly M. Escobar ( CN=Kymberly M. Escobar/OU=CEQ/O=EOP@EOP [ CEQ ] )  
READ:UNKNOWN

TO: Samir Afridi ( CN=Samir Afridi/OU=WHO/O=EOP@EOP [ WHO ] )  
READ:UNKNOWN

TO: Beth Nolan ( CN=Beth Nolan/OU=WHO/O=EOP@EOP [ WHO ] )  
READ:UNKNOWN

TO: David Vandivier ( CN=David Vandivier/OU=OMB/O=EOP@EOP [ OMB ] )  
READ:UNKNOWN

TO: Anna Richter ( CN=Anna Richter/OU=OPD/O=EOP@EOP [ OPD ] )  
READ:UNKNOWN

TO: Stephanie A. Cutter ( CN=Stephanie A. Cutter/OU=WHO/O=EOP@EOP [ WHO ] )  
READ:UNKNOWN

TO: Michele Ballantyne ( CN=Michele Ballantyne/OU=WHO/O=EOP@EOP [ WHO ] )  
READ:UNKNOWN

TO: Charles J. Payson ( CN=Charles J. Payson/OU=WHO/O=EOP@EOP [ WHO ] )  
READ:UNKNOWN

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

TO: Rachel A. Redington ( CN=Rachel A. Redington/OU=WHO/O=EOP@EOP [ WHO ] )  
READ:UNKNOWN

TO: Patrick M. Dorton ( CN=Patrick M. Dorton/OU=OPD/O=EOP@EOP [ OPD ] )  
READ:UNKNOWN

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

TO: Michael K. Gehrke ( CN=Michael K. Gehrke/OU=WHO/O=EOP@EOP [ WHO ] )  
READ:UNKNOWN

TO: Hildy Kuryk ( CN=Hildy Kuryk/OU=WHO/O=EOP@EOP [ WHO ] )  
READ:UNKNOWN

TO: Aprill N. Springfield ( CN=Aprill N. Springfield/OU=WHO/O=EOP@EOP [ WHO ] )  
READ:UNKNOWN

TO: Jennifer M. Palmieri ( CN=Jennifer M. Palmieri/OU=WHO/O=EOP@EOP [ WHO ] )  
READ:UNKNOWN

TO: 62955104@eln.attmail.com ( 62955104@eln.attmail.com [ UNKNOWN ] )  
READ:UNKNOWN

TO: tingen-terri@dol.gov ( tingen-terri@dol.gov [ UNKNOWN ] )  
READ:UNKNOWN

TO: john\_see@ed.gov ( john\_see@ed.gov [ UNKNOWN ] )  
READ:UNKNOWN

TO: carolmast@aol.com ( carolmast@aol.com [ UNKNOWN ] )  
READ:UNKNOWN

TO: Katherine A. Brown ( CN=Katherine A. Brown/OU=NSC/O=EOP@EOP [ NSC ] )  
READ:UNKNOWN

TO: Debra S. Wood ( CN=Debra S. Wood/OU=WHO/O=EOP@EOP [ WHO ] )  
READ:UNKNOWN

TO: Robert S. Weiner ( CN=Robert S. Weiner/OU=ONDCP/O=EOP@EOP [ ONDCP ] )  
READ:UNKNOWN

TO: Thurgood Marshall Jr ( CN=Thurgood Marshall Jr/OU=WHO/O=EOP@EOP [ WHO ] )  
READ:UNKNOWN

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

TO: Sylvia M. Mathews ( CN=Sylvia M. Mathews/OU=OMB/O=EOP@EOP [ OMB ] )  
READ:UNKNOWN

TO: Michael J. Sullivan ( CN=Michael J. Sullivan/OU=WHO/O=EOP@EOP [ WHO ] )  
READ:UNKNOWN

TO: Jennifer H. Smith ( CN=Jennifer H. Smith/OU=WHO/O=EOP@EOP [ WHO ] )  
READ:UNKNOWN

TO: Leanne A. Shimabukuro ( CN=Leanne A. Shimabukuro/OU=OPD/O=EOP@EOP [ OPD ] )  
READ:UNKNOWN

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

TO: Ruby Shamir ( CN=Ruby Shamir/OU=WHO/O=EOP@EOP [ WHO ] )  
READ:UNKNOWN

TO: Brooks E. Scoville ( CN=Brooks E. Scoville/OU=WHO/O=EOP@EOP [ WHO ] )  
READ:UNKNOWN

TO: Robert B. Johnson ( CN=Robert B. Johnson/OU=WHO/O=EOP@EOP [ WHO ] )  
READ:UNKNOWN

TO: Robin M. Roland ( CN=Robin M. Roland/OU=WHO/O=EOP@EOP [ WHO ] )  
READ:UNKNOWN

TO: Linda Ricci ( CN=Linda Ricci/OU=OMB/O=EOP@EOP [ OMB ] )  
READ:UNKNOWN

TO: Denver R. Peacock ( CN=Denver R. Peacock/OU=WHO/O=EOP@EOP [ WHO ] )  
READ:UNKNOWN

TO: Sean P. O'Shea ( CN=Sean P. O'Shea/OU=WHO/O=EOP@EOP [ WHO ] )  
READ:UNKNOWN

TO: Elizabeth R. Newman ( CN=Elizabeth R. Newman/OU=WHO/O=EOP@EOP [ WHO ] )  
READ:UNKNOWN

TO: Minyon Moore ( CN=Minyon Moore/OU=WHO/O=EOP@EOP [ WHO ] )  
READ:UNKNOWN

TO: Megan C. Moloney ( CN=Megan C. Moloney/OU=WHO/O=EOP@EOP [ WHO ] )  
READ:UNKNOWN

TO: Laura S. Marcus ( CN=Laura S. Marcus/OU=WHO/O=EOP@EOP [ WHO ] )  
READ:UNKNOWN

TO: Joseph P. Lockhart ( CN=Joseph P. Lockhart/OU=WHO/O=EOP@EOP [ WHO ] )  
READ:UNKNOWN

TO: Kris M Balderston ( CN=Kris M Balderston/OU=WHO/O=EOP@EOP [ WHO ] )  
READ:UNKNOWN

TO: Catherine T. Kitchen ( CN=Catherine T. Kitchen/OU=WHO/O=EOP@EOP [ WHO ] )  
READ:UNKNOWN

TO: David E. Kalbaugh ( CN=David E. Kalbaugh/OU=WHO/O=EOP@EOP [ WHO ] )  
READ:UNKNOWN

TO: Joel Johnson ( CN=Joel Johnson/OU=WHO/O=EOP@EOP [ WHO ] )  
READ:UNKNOWN

TO: David T. Johnson ( CN=David T. Johnson/OU=NSC/O=EOP@EOP [ NSC ] )  
READ:UNKNOWN

TO: William C. Haymes ( CN=William C. Haymes/OU=OA/O=EOP@EOP [ OA ] )  
READ:UNKNOWN

TO: William Hadley ( CN=William Hadley/OU=OA/O=EOP@EOP [ OA ] )  
READ:UNKNOWN

TO: Joshua S. Gottheimer ( CN=Joshua S. Gottheimer/OU=WHO/O=EOP@EOP [ WHO ] )  
READ:UNKNOWN

TO: Paul D. Glastris ( CN=Paul D. Glastris/OU=WHO/O=EOP@EOP [ WHO ] )  
READ:UNKNOWN

TO: Martha Foley ( CN=Martha Foley/OU=WHO/O=EOP@EOP [ WHO ] )  
READ:UNKNOWN

TO: Sharon Farmer ( CN=Sharon Farmer/OU=WHO/O=EOP@EOP [ WHO ] )  
READ:UNKNOWN

TO: Dorinda A. Salcido ( CN=Dorinda A. Salcido/OU=WHO/O=EOP@EOP [ WHO ] )  
READ:UNKNOWN

TO: Dawn M. Chirwa ( CN=Dawn M. Chirwa/OU=WHO/O=EOP@EOP [ WHO ] )  
READ:UNKNOWN

TO: Jackson T. Dunn ( CN=Jackson T. Dunn/OU=WHO/O=EOP@EOP [ WHO ] )  
READ:UNKNOWN

TO: Lana Dickey ( CN=Lana Dickey/OU=WHO/O=EOP@EOP [ WHO ] )  
READ:UNKNOWN

TO: Justin L. Coleman ( CN=Justin L. Coleman/OU=WHO/O=EOP@EOP [ WHO ] )  
READ:UNKNOWN

TO: Nanda Chitre ( CN=Nanda Chitre/OU=WHO/O=EOP@EOP [ WHO ] )  
READ:UNKNOWN

TO: pcaplan@fbr.com ( pcaplan@fbr.com [ UNKNOWN ] )  
READ:UNKNOWN

TO: Barbara D. Woolley ( CN=Barbara D. Woolley/OU=WHO/O=EOP@EOP [ WHO ] )  
READ:UNKNOWN

TO: Patrick E. Briggs ( CN=Patrick E. Briggs/OU=WHO/O=EOP@EOP [ WHO ] )  
READ:UNKNOWN

TO: Karen L. Barbuschak ( CN=Karen L. Barbuschak/OU=OA/O=EOP@EOP [ OA ] )  
READ:UNKNOWN

TO: Jeannetta P. Allen ( CN=Jeannetta P. Allen/OU=OA/O=EOP@EOP [ OA ] )  
READ:UNKNOWN

TO: wh-outbox-distr@pub.pub.whitehouse.gov ( wh-outbox-distr@pub.pub.whitehouse.gov [ UNKNOWN ] )  
READ:UNKNOWN

TO: Brian S. Mason ( CN=Brian S. Mason/OU=WHO/O=EOP@EOP [ WHO ] )  
READ:UNKNOWN

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THE WHITE HOUSE

Office of the Press Secretary  
(Okinawa, Japan)

For Immediate Release  
23, 2000

July

PRESS BRIEFING  
BY  
DIRECTOR OF THE NATIONAL ECONOMIC COUNCIL GENE SPERLING

The Rizzan Sea Park Hotel  
Okinawa, Japan

10:43 A.M. (L)

MR. SIEWERT: Good morning. As you know, the President announced a new initiative today, on his final day of his final G-8. Gene Sperling is here to brief on that, the President's Director of the National Economic Council, his National Economic Advisor.

Before he begins, just one minor scheduling note. The President will return to Andrews Air Force Base approximately 4:00 p.m. this evening and will head directly to Camp David, where he's eager to get back to the work that's been going on there in his absence.

And I'll let Gene take the floor here.

MR. SPERLING: It's increasingly clear that the Okinawa summit is very much the development summit, with a concentrated focus on not only debt relief, but battling infectious disease and the divides in education and information technology between the developed countries and the poorest countries in the world.

With each year there has been continued focus and progress, and the President very much wanted to build on Cologne, not only in furthering debt relief, but in having a more full, integrated approach that deals with poverty and draws the G-8 summits from being something that used to deal with exchange rate and trade issues to G-8 summits that focus on the most serious poverty challenges facing the world.

One of the issues that was successfully elevated in the G-8 and in the G-8 communique today was the endorsement of the goal of universal education in developing countries by the year 2015. This goal was established at Dakar, Senegal this spring and is endorsed in the G-8 summit.

Let me just say a couple of words about the basic problem. There are 120 children out of school, in fact, who never go to school in the poorest countries. Sixty percent of them are girls; most of them, 46 million, are in Asia, but Africa has 42 million and the highest percentage, 41 percent of children out of school. OXFAM, who has done tremendous work in this predicts that at present rates, even with the existing efforts underway, the Dakar goal will fall short by at least 75 million under current trends. And so this is a truly imperative goal.

The problems of free universal education in developing countries are complex. Some of it is cultural, much of it is economic. As we used to have de jure and de facto segregation, there is de jure and de facto free education. In some countries where there is supposedly free education, the cost of fees, the cost of school uniforms, of books or transportation can take one-fifth to one-half of a family's income. And so the Dakar goals start first with the developing countries coming forward with a goal, a plan for education for all. It is only in that context that any form of bilateral, multilateral aid can be effective.

In terms of the integration of why this matters, in terms of health and other issues, most people who deal with AIDS prevention find it almost impossible to deal with AIDS prevention for younger people if they are illiterate and not in school. So this is very much a part of AIDS. In terms of overall health, one of the most stunning statistics is that in countries such as Brazil, the number of children in families where the mother is illiterate averages over six; it is 2.5 where the mother has been schooled and literate. So there is a strong connection between literacy for girls and smaller, healthier families.

Obviously, the link between education and wages and income has been well established.

It does make a difference, the efforts do make a difference. Uganda was a country where the fees and other costs meant that if an average family put a child in school it cost one-fifth of their income. In 1996, they had only 2.1 million children in school. By abolishing the fees, having the commitment to universal education, in a few years they've gone from 2.1 million to 5.3 million children in school. So this is not a hopeless problem, this is something that can be dealt with, with a national commitment and the willingness of the developed countries and the multilateral institutions to facilitate this.

We're coming here today with real, tangible steps. First of all, in the communique, the G-8 endorses the Dakar goal of universal education

by 2015. Secondly, with the support and urging of our government, and others, the World Bank has announced, Jim Wolfensohn has announced they will increase their lending for education by 50 percent. They averaged over the last several years about \$1.8 billion in lending to poor countries for education. Jim Wolfensohn has now committed that the World Bank would increase that by at least 50 percent, to \$3 billion. So that is a tangible commitment by the World Bank.

Secondly, it takes bilateral commitments, and the United States has \$55 million in additional funds for universal education which we are seeking in the Labor/HHS appropriations going on.

The announcement today is another significant bilateral effort that the United States is making for this goal. And it is a \$300 million initiative, a global food for education initiative to allow for school lunches and school breakfasts in the poorest countries for the poorest children.

This idea was brought to our attention by former Senator McGovern and Senator Dole, who together have taken their leadership on the school lunch program domestically and have now been pushing for this at an international level. It has also been supported by Congressman Jim McGovern and Secretary Glickman and everyone in the White House policy councils. The \$300 million would come from excess U.S. commodities. It can be done, and will be done through executive action. It does not require a new appropriations. It is done under the charter act that allows for surplus removals and 416(b), which allows for donations of our surplus for developing country issues.

This \$300 million that comes from excess commodities and soy beans, wheat and corn would help feed 9 million children during a year, in selected developing countries. It is a down payment on a potential larger global effort to offer free lunches and breakfast and early childhood feeding in the developing countries.

The benefits of this are at least two-fold. Number one, for very young children the deficiencies in food can affect cognitive development. For school-aged children, it affects learning, listlessness and attendance. Secondly, it has been shown repeatedly that school feeding programs have a positive effect on parents putting their children in school. An interesting example is that in the Dominican Republic, when there was a school feeding program, when it was temporarily suspended, 25 percent of the children dropped out. So in a pretty interesting example there, 25 percent of the children were clearly induced to be in school because of the school feed initiative.

U.N. studies have shown this repeatedly in country after country that a school lunch or school breakfast initiative -- and the same for pre-school programs like WIC, or for infant children -- has had a positive impact on what -- parents putting their children in school.

This program would be done in coordinate with the World Food Program of the U.N.'s arm in Rome, with Secretary Glickman at the Department of Agriculture. And I just want to thank Tom Freedman, Domestic Policy Council, Secretary Glickman and people on my staff and OMB and NSC who have worked very hard to make this initiative.

We will work to select the countries for this program. Our criteria will be, one, whether they have a commitment to universal, free education. We don't want a school lunch program that funds only the children whose parents could afford to pay the fees and school uniforms. There needs to start with a commitment to free universal education. That will be a prerequisite for countries being selected.

Secondly, we need to find a way to do this in the most appropriate way so there in no way displaces local farmers in these communities. And then we also will look for where countries will target the initiative best to its poorest children.

I should be clear: of the excess commodities, some portion of these commodities are actually used for school lunch. Another portion is monetized, or sold, and then the funds from that are used for transportation, for storage, for refrigeration and administration.

Anyway, I'd be happy to take questions.

Q How many countries are we talking about?

MR. SPERLING: I don't think that we have decided on a particular number. The \$300 million -- can support 9 million children being fed. That may seem like a lot, but if you think about it, many of these countries have average, per capita incomes of only \$300, \$400. So at \$300 million, you can see that for over \$30 a year, you can provide school lunch, even school lunch and school breakfast. So I think it can target 9 million. I think how many countries may depend on how many are able to meet the criteria put forward.

I should say that we already have demonstrations in this area. In Indonesia right now, we use excess dry fat milk for a program that feeds 400,000 young people. We have another initiative in Yemen. So both AID and the Department of Agriculture do have pilot programs in place right now that have had positive results.

Q There has been some criticism that these kinds of programs are essentially a drop in the bucket, in terms of funding. You're talking about a billion dollars in new loans from the World Bank and \$300 million in food. Three hundred million dollars is less than Japan spent to put on this summit.

MR. SPERLING: Well, first of all, it's not a drop in the bucket for the 9 million children who are benefitted by it. For those 9 million children and their parents and their families, in countries where children often have iron deficiencies, have protein energy deficiencies, the ability to have a healthy meal, the inducement to go into school can make all of the difference.

Secondly, this needs to be a global effort, and what we're doing is we're using our capacity to do something now that we can do through executive action as a down payment. And our hope would be that if we can do this right and this has support, that it will be something that, first of all, will gain support from the United States Congress with the bipartisan support of Senator McGovern and Senator Dole and Congressman McGovern and others. We're hopeful that that would be the case.

Also, it's important to do things right. And one could do this program in a way that one hurried, and didn't have negative impacts on the local rural communities. But I very much share your overall sentiment, which is that the problems in developing countries and poverties are immense and we all should be doing more.

I don't feel that any of us are doing enough, but I do feel very proud of the fact that President Clinton has very much done what he can to focus these last couple of summits on debt relief, on infectious disease, on education issues. And we worked very hard with the World Bank, through our budget with the new initiative through this to come here and really have a tangible down payment. And it is a down payment, but it will matter a lot to those children. And if it helps build forward a global effort, then perhaps this could be the start of something more significant in the future.

Q Gene, is the emphasis on development at this year's summit a necessary response to public criticism of the globalization process by the public and by developing countries, themselves?

MR. SPERLING: I'm sorry -- at the beginning or your -- is it the focus?

Q Is the focus on development a necessary response to that criticism of globalization?

MR. SPERLING: Let me answer two ways. One, I think the focus on debt relief and having debt relief target on poverty reduction has been one long-coming. I mean, Cologne was a further advancement, HIPC existed; what Cologne was last year was an extended focus on speeding up, having deeper, quicker relief for a larger number of the poorest countries, and making sure that the countries come forward with -- that they are coming forward with actually poverty reduction plans.

When one insists on countries coming forward with plans on transparency, on structural reform, on budget reform, one isn't just being a stick in the mud here. You don't want to encourage debt relief to free up debt service for somebody to do pork projects or to help somebody's second cousin, or for corruption. You want assurance on behalf of the people you're trying to help and on behalf of the people in developed

countries who have to support this, that the money that you are freeing up is part of an integrated plan.

So I think part of it is that we've made progress on debt relief in a way that I think has built more support and has more countries coming forward. The second issue is, I think that all of us are waking up to how extreme the crisis of AIDS is in Africa and the developing countries.

I'm proud of what we've done, but I think as the more people see, the more people read, I think the more people -- countries will be compelled to go even further than we have.

But I do want to pick up on one point. When people talk about the kind of debates about globalization, you are seeing here a place for a consensus, a new consensus. In other words, much of the debate that's going on has been in how broad and inclusive the trade issues should be. At the same time, many of the parties that are in dispute can come together on this integrated approach to poverty reduction through debt relief, infectious disease, universal education, digital divide. And so I do believe that as we continue to have a debate on how to proceed best with open markets and open trade -- which we deeply believe are critical to poverty reduction in developing countries -- there is this other area that does seem to bring together warring factions into a consensus for poverty reduction, debt relief, and education and health.

Q Gene, the program the Ex-Im Bank announced last week to loan a billion dollars a year to African countries for AIDS drugs, was that coordinated with the rest of the administration? And how does loaning a billion dollars a year to African countries advance the goal of debt relief?

MR. SPERLING: Well, the initiative by Ex-Im I think was using under what the abilities and authorities they have, their willingness to allow countries who find it in their interest to have access to the Ex-Im for dealing with infectious disease, for them to at least have that access, I think that it has the potential to help. But, obviously, it's important that as that initiative is administered, that it not -- that it be consistent with our overall debt relief efforts and overall plans.

I don't think there's going to be a one size fits all; I think that in some cases, it will not make sense for countries to increase their debt. In other cases, it may be part of a coordinated approach where it does. So I don't think there's a one size fits all answer to that. I think the concerns that you raise are real concerns, and I think whether or not that works really will go to the effectiveness of which initiatives are selected and how the individual countries coordinate it with their overall debt relief and poverty reduction strategies.

Q Gene, two questions. On debt relief, do we have the sense that the Japanese, particularly, are among the most resistant to moving more quickly or accelerating the pace of debt relief? Could you talk about the Japanese perspective on that since they were the host? And, second of all, the two development initiatives announced about the digital divide in computers and technology, and now agriculture, giving food to developing nations, are both areas in which the United States is the competitively strongest in the world. In agriculture and in IT. Could you answer the critics who say that this is essentially little more than enlightened self-interest for the United States?

MR. SPERLING: Well, I mean, I have a couple of responses to that, which is I do believe all of us should feel a moral imperative to have a more equitable global society, and that on pure humanitarian, moral and religious grounds, that people should want to come together and deal with the crisis of poverty, and particularly AIDS right now.

Secondly, though, I think that it is enormously in the enlightened self-interest of the developed countries to want the developing countries, on economic terms and on security terms, to be stronger, to be healthier, to become more a part of the global economy, to become a part of the globally stable society. There's no question countries that are more secure economically and healthwise are also more likely to be part of a more stable global order.

I think that we have, again, looked at debt relief overall. Our main focus, and where we've put most of our money, nearly \$4 billion, has been in infectious diseases. And in this initiative -- you said on agriculture we have comparative advantage. That isn't what the initiative

is. Let me be clear: the overall initiative is universal education. That's what the goal is. The goal is universal education for poorer countries. All of the G-8 supported that.

Then the question is, what can we do multilaterally to support that, and what can we do bilaterally? So when we are stepping up bilaterally to meet commitments, of course each of the countries is going to look for areas where they have particular strengths. But this is not us pushing an agricultural initiative; this is us being part, with others, of pushing the universal education initiative. And we're stepping up with money; we're stepping up with encouraging the World Bank to do more. And we have found a particular way that we could help feed 9 million children and induce more to go through school, through an executive action while we are still in office.

In terms of information technology, I can say absolutely that our goals and incentives on there are simply to not allow the existing divides to get deeper. It is absolutely right that it would make no sense to focus on information technology divide in absence of dealing with debt relief, education, and infectious disease. And that is exactly why we've done them together.

On the other hand, when one looks at the importance of overall national income in reducing poverty, reducing health, to think that you would be helping out the developing world by letting them fall farther and farther behind the developed world in this information technology revolution would also be insane. So this -- not to use an old President Clinton term from 1992, but that really is a false choice. The whole focus here has been on an integrated approach, and that's what the focus should continue to be.

Q Gene, did the Russians raise the debt issue at all, vis-a-vis Russia?

MR. SPERLING: Excuse me?

Q Was there any discussion at all of Russian debt relief? And what was Mr. Putin's input about relieving debt to the Third World?

MR. SPERLING: There was no mention of -- President Putin did not raise debt reduction in the bilateral with the President. They talked about it extensively in their bilateral in Moscow, considerable conversation, and they discussed it briefly in a phone call that President Putin had with the President a few weeks ago. But this meeting focused mostly on the Mideast, North Korea. As to whether or not it came up in the G-7/G-8, you'll have to ask Lael Brainard. I just don't know whether he raised it or not.

Q Gene, is it possible for you to break down by commodity what this new program is going to buy? You mentioned the actual commodities, but can you say the amount of --

MR. SPERLING: In the first couple of years, I think that there is about -- I think one's aiming for at least 750,000 metric tons, of which soy, corn and wheat, we have excesses in amounts on each of those that are over 100,000 to 250,000 this year, and projected for the next couple of years, as well. But I'm probably going to have to defer to Secretary Glickman on what the exact amounts of each would be. But the big areas of surplus are soybeans, corn and wheat. Soybean is the one that has the longest projected surplus, probably over the next several years.

And I should -- I do want to be up front in the following: this initiative here is something that one can do without congressional action, as long as we continue to have such surpluses. But a few years from now, if there were to be less surpluses, there will have to be a judgment made by the U.S. Congress whether this is something that they want to support through the appropriations or other processes.

But clearly we have significant excess commodity in those areas now, which -- some of them will be monetized and sold. But as you can see, those are also commodities which themselves can actually be part of an actual school lunch or school breakfast meal.

MR. SPERLING: Thank you.

END

11:06

A.M. (L)