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[White House News Reports - December 2 1994]
Senate Democrats and Republicans hold separate leadership elections.

The Vice President arrives at Andrews Air Force Base.

The Labor Department releases the unemployment report for November. The Commerce Department releases the index of leading economic indicators for October.

The American Enterprise Institute holds a briefing to discuss the characteristics of the new Congress, potential changes and recommendations for change. AEI, 1150 17th St., NW.

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ABC World News Tonight

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John Cochran Washington 2:20
2 Clinton Announces $25 Billion Initiative to Bolster Military  
Brit Hume Washington 2:00
3 GOP to Eliminate Centuries-Old Job of House Doorkeeper  
Peter Jennings Washington 0:35
4 Observances Held Around the Globe For World AIDS Day  
George Strait Washington 1:50
5 AIDS Epidemic is Out of Control and There's Little Progress  
Peter Jennings Washington 0:25
6 Alcohol-Related Traffic Deaths Down by a Third in 12 Years  
Peter Jennings Washington 0:20
7 CIA Spy Ames Auctions Off Possessions  
Jackie Judd Atlanta 2:05
8 U.S. Stamp With Atomic Bomb Arouses Bitterness in Japan  
Peter Jennings Washington 0:25
9 GOP Planning to Push Balanced Budget Amendment  
Jim Wooten Washington 2:05
10 New GOP Budget Chair Will Have to Make Good on GOP Promises  
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11 NATO's Failure in Bosnia Raising Questions About Its Future  
Garrick Utley Brussels 1:25
12 Civil War Erupting in Breakaway Russian Enclave of Chechnya  
David Ensor Chechnya 1:30
13 US, Thai Military Have Made Huge Bust Against Drug Cartel  
Peter Jennings Washington 0:20
14 Webster Hubbell Will Plead Guilty to 2 Whitewater Felonies  
Peter Jennings Washington 0:15
15 Gingrich Political Novel May Need Rewrite; Has Dems in Majority  
Peter Jennings Washington 0:35

CBS Evening News

16 Senate Prepares To Vote On GATT; Treaty Expected To Pass  
Bob Schieffer Washington 2:15
17 Analysis Of GATT And How It Will Affect People Nationwide  
Ray Brady New York 2:25
18 Clinton Uses Photo Op To Announce $25 Billion Defense Increase  
Rita Braver Washington 2:10
19 New Mexican President Sworn In; Mexico Has Immigration Problem  
Sandra Hughes Los Angeles 2:25
20 US To Announce That Some Cuban Refugees Will Be Allowed In US  
Dan Rather Washington 0:30
21 US Agrees With NATO To Use Diplomacy Not Force In Balkans  
Dan Rather Washington 0:25
22 Cruise Ship Continues To Burn; Most Passengers Rescued, 2 Died  
Dan Rather Washington 0:25
23 Wisconsin Prison Officials Investigating Dahmer Murder  
Dan Rather Washington 0:25
24 School Official Tried To Suspend 100 Students, is Disciplined  
Bob McNamara Denver 1:50
25 Clinton Friend Hubbell To Plead Guilty to 2 Felony Accounts  
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26 Profile And Legislative Agenda Of Republican Dick Armey  
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27 Demonstrations Held Around The World On National AIDS Day  
Dan Rather Washington 0:35
28 New Dangerous Illegal Pill Is Latest Drug Of Choice In Miami  
Diana Gonzalez Miami Beach 2:20
29 GATT Has Passed Senate  
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NBC Nightly News

30 Clinton Announces $25 Billion More Funding For The Military
Brian Williams Washington 2:20

31 Senate Passage Of GATT Probable; GOP Votes Give Clinton Victory
Lisa Myers Washington 2:15

32 CDC Announces Study Linking Smoking And Male Impotence
Robert Hager Washington 1:35

33 Mexican President Inaugurated; Many Angry at US Immigration Law
George Lewis Mexico City 1:55

34 US Agrees With NATO: Use Diplomacy To End War
Tom Brokaw Tampa 0:40

35 New Federal Prison Opens; Restrictive For Dangerous Criminals
Roger O'Neil Florence, CO 2:00

36 Kids Compete To Commit Crimes; New Law Toughens Punishments
Bob Dotson Tampa 2:20

37 New Law In California Provides Tough Penalties For Drug Users
Tom Brokaw Tampa 0:20

38 Drunk Driving Deaths Have Dropped
Tom Brokaw Tampa 0:15

39 Graphic Video Of Wolves Trapped And Maimed In Alaska
Tom Brokaw Tampa 0:25

40 Courts Insist Children Attend Classes When Parents Divorce
Kenley Jones Miami 3:15

41 Today Is World AIDS Day; Events Held Around World
Tom Brokaw Tampa 0:30

42 London Town Uses Cameras To Monitor Crime Areas
Jim Maceda London 2:00

43 GATT Has Passed US Senate
Tom Brokaw Tampa 0:15

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President Clinton has hailed congressional passage of the GATT worldwide trade agreement. Flanked by congressional leaders from both parties, Clinton said the vote by the Senate is "a bipartisan victory" that gives the United States the boost it needs to create more high-wage jobs.

The Director-General of GATT, Peter Sutherland, has welcomed the Senate's action. He says the vote is the key to establishing the World Trade Organization on January first...as scheduled. 

At least 24 people have died in the collision of a passenger ferry and a Singapore-based cargo vessel in the Philippines. About 161 people are still missing in shark-infested waters.

The collision occurred at the mouth of Manila Bay.

An Ariane rocket carrying an American telecommunications satellite has crashed into the Atlantic Ocean shortly after takeoff from French Guiana in South America. It was the second disaster this year for the European consortium Arianespace.

Tupac Shakur has been convicted of sexually abusing a young woman inside his lavish Manhattan hotel suite...but acquitted of the more serious charge of sodomy.

The rapper is recovering from five gunshot wounds following an apparent robbery early Wednesday...and was not in the Manhattan courtroom when the verdict was announced.

An Atlanta-based firm has developed three rapid battery charging systems for electric vehicles. The company said the technology cuts the charging time for electric vehicles from eight hours to less than 15 minutes. It also says the development now makes California's 1998 clean air mandates practical.

By Don Fulsom (UPI)

BC-YUGOSLAVIA-ZONE-NATO URGENT
NATO says still enforcing Bosnia no-fly zone
NAPLES, Italy (Reuter) - NATO said Friday it was continuing to enforce the United Nations no-fly zone over Bosnia, denying a report from Sarajevo that quoted a U.N. spokesman as saying cover had ceased.

BC-JAPAN-GROWTH URGENT
Japan July-Sept GDP up 0.9 percent from April-June
TOKYO, Dec 2 (Reuter) - Japan's giant economy expanded in the July-September quarter, as its gross domestic product (GDP) grew a real 0.9 percent from the previous quarter, the government's Economic Planning Agency (EPA) said on Friday.

The July-September GDP growth, which translates into an annualised rate of 3.7 percent, followed a real quarter-on-quarter drop of 0.4 percent, or an annualised 1.6 percent decline, in the April-June period.

BC-JAPAN-SURPLUS URGENT
Japan's current account surplus shrinks in Oct
TOKYO, Dec 2 (Reuter) - Japan's giant surplus in its current account -- its broadest measure of trade in goods and services -- fell to $8.90 billion in October from a surplus of $11.03 billion a year earlier, the Finance Ministry said on Friday.

The nation's surplus in trade alone fell to $11.13 billion in October from a $12.42 billion surplus compared with a year earlier.
SENATE APPROVES PACT
TO EASE TRADE CURBS:
A VICTORY FOR CLINTON

NEW GLOBAL RULES

GATT Body Is Created to Oversee Commerce of 100 Countries

By DAVID E. SANGER

WASHINGTON, Dec. 1 — The Senate tonight approved American participation in the most ambitious global trade accord reached in four decades.

Approval of the pact, by a far wider margin than expected, ended a dozen years of negotiations involving more than 100 nations over the lowering of tariffs and the creation of the World Trade Organization, a new, international body designed to govern commerce among nations.

After two days of heated Senate debate, the General Agreement on Tariffs and Trade, or GATT, as the pact is generally known, passed by a wide margin, 76 to 24. Earlier in the evening, a crucial procedural vote to waive Senate rules against any bill that adds to the Federal deficit — which the trade accord is expected to do — passed 68 to 32, eight votes more than necessary.

The House of Representatives approved the agreement on Tuesday by an even wider margin, 288 to 146.

Final passage of the accord, nearly 10 years after the world's trading nations initialed it, was the last action of the 103d Congress and the last business before Republicans take over both houses of Congress next month.

The passage of GATT also is a major victory for the Clinton Administration, which has sought an agreement on the narrow margin by which the North American Free Trade Agreement passed last year. Since January the White House and the nation's biggest businesses and agricultural groups have pressed for the free trade accord, warning that its defeat would jeopardize America's efforts to lead the world economically at a time when the nation's military power is diminishing in importance.

Appearing on the South Lawn tonight with Congressional leaders, including Senator Bob Dole, Republican of Kansas and the incoming Senate majority leader, President Clinton went out of his way to praise Republican leaders for saving the accord. He called the vote "a bipartisan victory that really, really gives our country the boost it needs to keep moving forward to the 21st century to create more high-wage jobs for the American people."

"We said, loud and clear, 'America will continue to lead the world to a more prosperous place after the cold war,' " he said. "Let's make the GATT vote the first vote of a new era of cooperation."

The outgoing Senator of the House, Thomas S. Foley, Democrat of Washington, who was defeated in the Republican landslide last month, declared that the much-criticized 103d Congress was "the most important congress in trade liberalization in decades."

Supporters acknowledged that the pact falls far short of heralding an era of free trade. It fails to address many major trade issues crucial to American business, including trade in most financial services.

"But we should not measure this trade agreement against a perfect and unrealistic ideal," Senator George J. Mitchell of Maine, the retiring Majority leader, said in his last appearance in the well of the Senate. "These are the only trade talks we have. We don't trade with Mars; we don't trade with the moon; we don't trade with countries made in heaven."

Senator Dole sealed the pact's fate last week when he reached a compromise with President Clinton. But the new, international body designed to govern commerce among nations.

"Let's face it though," he told his colleagues. "We're the big beneficiaries, the United States of America, of course you cut it."

Congress' action, taken in a lame-duck session called to approve the accord, clears the way for America's largest trading partners, including Japan and the European Union, to take similar actions in the coming weeks. They have refused to take it up — and to endure the wrath of their farmers and manufacturers who will be hurt by the gradual phasing out of many protections — until Washington acted.

In the end, the United States, which had pressed harder than any nation for the accord, threatened to become the greatest obstacle to its adoption. An alliance of consumer groups, environmentalists and conservatives mounted a major campaign against the accord, arguing that the World Trade Organization would become an all-powerful bureaucracy, able to underenact American sovereignty by allowing panels of foreign judges to rule on whether Federal and state laws constituted impediments to trade.

Their arguments found an audience in recent weeks as calliers flooded talk show and said that the issue should be carried over until the newly elected Congress could deal with it next year. Some callers were inspired by Ross Perot, Patrick Buchanan and Ralph Nader, all of whom called for the accord's defeat.

President Clinton acknowledged at the White House earlier this week that many Americans were increasingly ubiquitous that free trade agreements, which he has advocated vigorously, are responsible for stagnating incomes and the loss of jobs to foreign companies and American firms that move abroad.

In fact, many Democrats and Republicans abandoned their leaders on the vote, arguing that American workers would be undercut by more imports from countries that pay a fraction of American wages, and that the United States was signing away its sovereignty to the new trade organization without understanding the true scope of that organization's powers.

Until yesterday, it was unclear whether the Administration could garner sufficient votes, and as late as this morning President Clinton was cautioning wavering Senators over breakfast.

Under the accord approved tonight, tariffs around the world will be reduced by more than $700 billion over the next decade. Those cuts include ones relating to farm products, which raises an issue so politically sensitive in almost every nation that it was never covered in past trade agreements. New protections are afforded to intellectual property, including patents and copyrights.

In both the House and the Senate this week, the debate over the trade pact has really been a debate over two radically differing views of the American economy — one that links the future to exporting to the developing markets of Latin America and Asia, as opposed to one in which the Government's main role must be to nurture traditional American industries and stem the loss of jobs to foreign lands. Not surprisingly, which members of Congress hold those views had far more to do with where they come from than what party they belong to.

While almost everyone in the debate professed their devotion to free trade, the accord's opponents were led by those from states whose main industries still receive considerable Government support or protection, or stand little chance of becoming more competitive in world markets.

Continued on Page A22, Column 1
President Clinton yesterday with John Shalikashvili, Chairman of the Joint Chiefs, and, at rear, Carl Mundy, Marine Commandant.

Clinton to Ask Billions More In Spending for the Military

BY DOUGLAS JEHL

WASHINGTON, Dec. 1 — Trying to quiet Republican criticism that the military is underfinanced, President Clinton held a Rose Garden ceremony today to announce that he would seek a $25 billion increase in military spending over the next six years.

With Defense Secretary William J. Perry and the Joint Chiefs of Staff at his side, Mr. Clinton outlined plans to improve readiness and support military personnel. Among the purposes of the new money, he said, will be the troops’ annual cost-of-living pay increases that Congress has already authorized into the next century.

In addition to this $25 billion, Mr. Clinton said he would ask Congress for an emergency increase in this fiscal year’s Pentagon budget to help cover the costs of operations in Haiti, in Kuwait, in Bosnia and off the Cuban coast. Administration officials said later that this emergency request would total about $2 billion.

Senior Administration officials said Mr. Clinton’s plan was recognition of a need to improve the readiness and the quality of life of military forces, which have been stretched so thin that the Pentagon...

Continued From Page A1

President Clinton’s initiative, “and we owe much to them.”

Republican Congressional leaders described the plan as a welcome and important first step. Senator John McCain, the Arizona Republican who is among his party’s most influential figures in military matters, called it “the first sign of recognition on the part of this Administration that this nation’s military readiness and ability to defend its vital national interests in the world is in question.”

But Senator McCain and his fellow Republicans said the initiative remained inadequate to heal deep wounds in American military might. They said they would fight to halt the decline in the Pentagon budget, which has plunged to $232 billion a year from $281 billion since Mr. Clinton took office and would decline further, even under the President’s new plan, before spending rises again later in the decade.

“This is a hemorrhage that needs a tourniquet,” said Senator Bob Smith, a New Hampshire Republican who is a member of the Senate Armed Services Committee, “and the President is offering a Band-Aid.”

The $25 billion in new spending that Mr. Clinton called for today would not reverse the current decline in the military budget until the 1998 fiscal year, a turnaround date he had previously set. It would postpone its largest budget increases until the turn of the century, and over the next four years would provide only an additional $2.5 billion a year.

At a White House briefing after the announcement, Deputy Defense Secretary John Deutch pronounced the plan sufficient to allow the Pentagon to close a budget shortfall that had threatened to force deep cuts in weapons systems.

But Republicans immediately questioned Mr. Deutch’s arithmetic. They said that even if his assumptions of low inflation were correct, and even given weapons systems cuts that he said still lay ahead, it would be impossible to make up a budget gap that the Administration estimates will total $48 billion over the next six years.

“We have a readiness problem now, and we will have a readiness problem after the President’s initiative is implemented,” said Representative Floyd D. Spence, the South Carolina Republican who is preparing to become chairman of the House Armed Services Committee.

A promise to restore military spending is a central feature of House Republicans’ “Contract With America,” which they have pledged to carry out once they take control next month. Representative Newt Gingrich of Georgia, who drafted the contract and will become Speaker of the House, has led what has become a chorus of Republican attacks accusing Mr. Clinton of cutting spending too deeply and too fast.

But Mr. Clinton, who has sought for the last two years to hold the line against the deeper military cuts sought by some Democrats, said today that it was “not right” to see his request for an increase in military spending as an acknowledgement that his critics were correct.

“We have seen the military, frankly, have to deal with an amazing number and variety of unanticipated challenges,” the President said, pointing to small-scale but costly crises from Somalia to Zaire as the source of greatest strain on military readiness. “They have done so, with great skill, but now they need the support that I think we ought to give them.”
The agreement is both the first criminal charge brought by Mr. Starr, who took over the case in August, and the first against a former Administration official.

As former law partner of Mrs. Clinton at the Rose Law Firm of Little Rock and a golfing companion of Mr. Clinton, Mr. Hubbell's cooperation with investigators could potentially assist them in a wide array of areas. At the very least, the plea agreement and Mr. Hubbell's cooperation will further distract a White House already bracing for Republican hearings early next year that will bring Whitewater and other Arkansas deals of the 1980's back into the spotlight.

Mr. Hubbell's close relationship with the Clintons evolved over nearly 15 years in Little Rock, where he was mayor while Mr. Clinton was Governor. When the new Administration came to Washington, he was installed as a senior official at the Justice Department months before Janet Reno became Attorney General.

Along with two other partners from the Rose Law Firm, Vincent W. Foster Jr. and William Kennedy, Mr. Hubbell arrived in Washington last year as part of the Clintons' closest group of friends. Mr. Foster committed suicide last year. Mr. Kennedy, who was rebuked in a White House review of its handling of the travel office, decided recently to return to Arkansas.

As Associate Attorney General, the No. 3 man in the Justice Department, Mr. Hubbell had been the liaison between the Justice Department and the White House until he stepped down in March amid accusations that while in private practice he had improperly billed the Government for legal work.

For months, he had been under investigation for overbilling the Government for his work in connection with the failure of Madison Guaranty Savings & Loan, an Arkansas thrift that was owned by operated by Mr. McDougal. Madison, which failed at a cost to taxpayers of $69 million, has been the central focus of an investigation into whether it was used to make improper payments to either Whitewater or Mr. Clinton's gubernatorial campaigns.

The investigators had also been examining whether Mr. Hubbell played any role in the Justice Department's handling of criminal referrals made by savings regulators about Madison. Those referrals were delayed for months by bureaucrats.

The Rose law firm and Mrs. Clinton did legal work for Madison before its collapse. After it failed and was taken over by Federal regulators, Mr. Hubbell represented the Government in a lawsuit against the savings and loan's accounting firm.

With evidence mounting that Mr. Hubbell may have improperly billed the Government for hundreds of thousands of dollars, Federal investigators spent the last few weeks trying to reconstruct his finances. After issuing subpoenas for his credit card records, they blanketed Little Rock merchants with grand jury subpoenas to try to reconstruct his purchases.

At his former law firm, which is itself the subject of several Federal investigations, Mr. Hubbell received little support. His former law partners also turned against him, testifying before the grand jury in Little Rock and providing evidence that he had overbilled clients.

Reached at his home in Washington this evening, Mr. Hubbell declined to discuss the plea arrangement.

"I'd love to talk to everybody, but I just can't comment," he said.

Throughout the day, rumors swirled around the White House about the fate of Mr. Hubbell, and by the evening, a senior official said the President did not know whether his friend had decided to take a plea or face a trial.
Ernesto Zedillo, left, with his predecessor, Carlos Salinas de Gortari, after receiving the sash of office of the President of Mexico.

Taking Office, Mexican Pledges
A Democratic and a Just Nation
Al

By TIM GOLDEN
Special to The New York Times

MEXICO CITY, Dec. 1 — Ernesto Zedillo Ponce de León, a politically inexperienced economist thrust by the electorate into the leadership of Mexico's long-governing party, took office as President today, promising a new fight against poverty, "definitive" steps to democracy and sweeping changes in the corrupt justice system.

"They have not benefited from the fruits of progress," Mr. Zedillo, 42, said in an inaugural address that was filled with implicit criticism of the previous administration's failings. "Now that we are able to build a more prosperous Mexico, we must — and can — make it a more just Mexico."

Standing before a vast audience of politicians and foreign dignitaries in the lower chamber of the congress, Mr. Zedillo paid a warm but brief tribute to his predecessor and political mentor, Carlos Salinas de Gortari. Then he immediately recalled the assassination that turned him from novice campaign manager into candidate.

Acknowledging widespread dissatisfaction with the Government's investigations into the murders of his predecessor, Luis Donaldo Colosio, and another party leader, José Francisco Ruiz Massieu, Mr. Zedillo pledged to "significantly intensify" investigations into the murders of Galo Ramos and his predecessor, Luis Donaldo Colosio, and another party leader, José Francisco Ruiz Massieu.

He also held out a conciliatory hand to peasant rebels in the southern state of Chiapas who have vowed to prevent the scheduled inauguration next week of a ruling-party Government whose election they maintain was fraudulent.

Reiterating his call for new peace talks with the rebels, Mr. Zedillo said the Government troops surrounding them would not break the cease-fire that has held since Jan. 12. But he also signaled that he would reject demands for new elections in Chiapas, insisting that the law must be upheld. And he immediately recalled the assassination that turned him from novice campaign manager into candidate.

"Now that we are able to build a more prosperous Mexico, we must — and can — make it a more just Mexico."

Mr. Zedillo's chest swelled beneath his new sash as he looked on as the delegation from the United States, led by President Bill Clinton, and from Latin America, led by Fidel Castro of Cuba, Alberto Fujimori of Peru and Carlos Saul Menem of Argentina, crowded into the air. The green, white and red that have always attained.

The green, white and red that have prevailed the identity of the Institutional Revolutionary Party with that of the state were everywhere in the colonial heart of the city. Companies of soldiers in long coats and busbies goose-stepped around the central plaza.

The inaugural drew heads of state from throughout Latin America, including presidents Fidel Castro of Cuba, Alberto Fujimori of Peru and Carlos Saul Menem of Argentina. Vice President Al Gore headed the delegation from the United States.

Mr. Zedillo's chest swelled beneath his new sash as he looked on from a balcony of the National Palace.

The bespectacled, sometimes awkward, technocrat of the campaign seemed to begin giving way to the kind of commanding political presence that Mexican presidents have usually attained.

Among the many doubts that have been raised about Mr. Zedillo's ability to lead a country racked by social tensions and political turmoil, the questions of his authority and skill as a politician remain central. Despite the enormous challenge Mexico faces in creating millions of new jobs, revitalizing small and medium-sized businesses and sharing its wealth more equitably, his abilities as an economist — he is a former Planning and Budget Minister — have gone virtually unquestioned.

Members of Mr. Zedillo's own, deeply divided party have worried that he will never wield the extraordinary power that Mr. Salinas consolidated in the name of change.

But throughout a campaign largely focused on the authoritarian prac-
When Trouble Starts Young

A period report.

with bullet holes and patched with cardboard. The young people they watched over now frighten them so much, they refuse to go near their homes even in daylight, and at night the gunfire flashes like fireflies through this barren, crumbling place.

In New Orleans, when violence by young people has grown so severe that the police have ordered a dusk-to-dawn curfew for juveniles, the epicenter of that fear is the impoverished public housing projects. Here, boys of 14 shoot grown men in drug deals gone bad, children of 11 tote guns too big for their hands, and old people and mothers with small children sleep under beds, because big-city gunplay indiscriminately just to hear them go "bang."

The most recent trend among the young criminals is to pre-pay their own funerals, because they do not expect to live past 16.

There has always been violence in New Orleans, where the underclass lives within pistol-shot of opulence, of Greek revival architecture and 300-year-old oaks in the Garden District. New Orleans's murder rate was the highest of any city in the country in 1993, and billboards with the words "You Thaht Not Kill" plead for the violence to end.

But there is a sense of sanity to the crimes of adults, say the people who Continued on Page A18, Column 1.
"It's a shame when the grown people have to hide," she said. "But when you're poor, you got to act like you're poor.

Like the housing project in New Orleans, this is far from a welfare community. At dusk, the women in their maid's uniforms and men in mechanic's coveralls filter in through the half-light and disappear into tiny rooms where, if the electricity, water and heat all work at the same time, it is a tiny miracle.

The projects are mostly two- and three-story brick, featureless buildings in long rows, like warehouses. In some of the projects, whole blocks are too far gone for human habitation, and the buildings sit vacant and dark, home only to rats and palmetto bugs and crack users.

But it is still a neighborhood, if a wasted one. Mrs. Layton used to like to sit outside and pass the time with the neighbors, but more and more the older residents go straight home and lock their doors.

She has a picture of a streetcar on her wall. It is a trolley in San Francisco, not the one in New Orleans. Still, she likes to look at it.

The Turnaround
When a Good Boy Goes Bad

The manifestation of Louise Layton's fears is a 14-year-old boy who used to ride his bicycle down Apple Street, till the New Orleans police charged him with shooting a man in the head.

The boy, Nicholas Mason, is in a juvenile detention center, charged with murder and 13 other crimes, most of them violent. The police said he killed 32-year-old Michael Barngrover just outside a housing project on Phalila Street on Oct. 28 in what appeared to be a botched drug deal.

The killing was the culmination of one of their most puzzling juvenile crime sprees so far. In one year, said a police officer, Nicholas went from being a normal junior high school student to being a cold-blooded killer.

He robbed people at gunpoint and shot at them. He spent most of his life in the projects. "I thought they had to do 'survive. They got guns. They took their place in a culture of violence because it's too hard to be good," she said. "They know they ain't gonna get decent job and no good life." She has a daughter, 17, but her house seems empty to her now. "It's always too quiet here," she said. "Sometimes it gets so quiet I start to cry."

There is a recent family photograph on the wall. It shows a round-faced smiling Nicholas and his young-looking, pretty mother.

Now Mrs. Mason, in her 40's, looks half in and half out of time. She has a picture of a streetcar on her wall. It is a trolley in San Francisco, not the one in New Orleans. Still, she likes to look at it.

The Message
No Protection In God's Words

Every Saturday at 10 A.M., a missionary group takes children in the Cooper apartments into the project meeting room, to teach them songs and let them play games and slip in a little prayer. The oldest are 8 and 9, the youngest 3. The missionaries tell the children that God loves them and is watching over them, that they should not live in fear and should never give up hope.

When the missionary, a young white woman, asked what they worry about, one child says, "Dying."

The missionary says God will provide. Another little girl says, "Dying."

The missionary says God will shield them. Then everyone sings a song. The missionaries are barely out of the parking lot when the sound of an automatic weapon booms through the dusty courtyard.

The children, who had gone outside to play, scurried for their homes to hide under beds and inside bathtubs, the way their parents taught them. They say it happens every day. "There's been shooting here ever since I was born," said 7-year-old T. Darryl Calhoun. "It's the big kids. We run from the biggest kid."

Another little boy says his cousin was killed and his sister was raped by boys in high school. Another says his mother found three pistols in his older brother's room. "She threw them away," said the boy, 9. "She was mad."

Earlier that morning, when four little boys were asked what they would do if another child pulled a real gun, they swerved immediately.

"Duck," said one.

"Duck," said the second.

"Duck," said the third.

"Go to the hospital," said the fourth.

"They have such fear for their lives, they eventually get real guns of their own because they think they have to protect themselves," said Barbara Martin, who lives in the St. Thomas project and works with a support group for the mothers of homicide victims. "They don't expect the past childhood, many of them. It's children killing children."

And, because they are children, they are rashly. The shoot without thinking.

"I got a letter from this one little girl," Mrs. Martin said. "She said her goal in life was to live to graduate high school."

Outside, in the Cooper project playground, a showdown is coming.

A little boy named Antonio Jackson affirmed he had toy pistols in his pockets. It is really just one, but the other one broke into two pieces so both could have one. They chase each other around the yard, shooting with the unlimited ammunition in their imagination.

No one dies for more than a few seconds.
said the most likely sanction was for the judgment to order the Government to pay money to the plaintiffs to cover their attorneys' fees. Today's ruling is in a series of legal and political problems created for the Administration by the Task Force on National Health Care Reform. Mrs. Clinton, Mr. Magaziner and the White House, asked for comment on the judge's order, referred inquiries to the Justice Department. John A. Rogovin, a Deputy Assistant Attorney General, said, "We don't believe the defendants engaged in any misconduct." The purpose of sanctions is to punish conduct by people in court proceedings. It is highly unusual for judges to impose such sanctions. They generally do so only when they believe someone has engaged in conduct that goes beyond the aggressive tactics commonly used in litigation. The Justice Department had argued that the lawsuit should be thrown out because the White House had released almost all the documents created by the task force, which ended its work on May 31, 1993. But Judge Lamberth found that the Administration was still withholding some documents, and he said today that he would give the Government "one last opportunity" to provide the documents so the suit could be dismissed. The plaintiffs have told Judge Lamberth that Mr. Magaziner should be held in contempt of court for telling the judge that the staff of the task force consisted entirely of Federal employees. In fact, they argue, the task force included many people from outside the Government, including executives of health maintenance organizations and other companies with a financial interest in the President's plan. Thomas R. Spencer Jr., a lawyer for the plaintiffs, said today: "Mr. Magaziner misled the court by declaring in a sworn statement on March 3, 1993, that all the people working for the task force were Federal employees. He knew or should have known that a lot of them were not Federal employees. When he and his lawyers at the Justice Department discovered that his statements were wrong, they had a duty to come forward and tell the court." Mr. Magaziner was in his office today, but did not return a telephone call asking for comment. Mr. Rogovin said the accusations against Mr. Magaziner were without merit. If the task force's staff was covered entirely of Federal employees, it could have conducted its operations in secret. But if it included people from outside the Government, under the 1972 Federal Advisory Committee Act, it would have been required to hold open meetings and disclose its records. The judge sought documents to determine whether the staff was covered by the 1972 law. Mr. Spencer said Administration officials "did everything possible to prevent us from understanding the membership, characteristics and operations of the interdepartmental working group," which did staff work for the task force.
American officials had deemed ex­
cessive or unbearably cheesy. The
latter included a silver presentation
plate from a South Korean general
commemorating an arms deal; an
unfolding papier-mâché, of unknown
provenance, of former Secretary of
State George Shultz, and a mahog­
any box filled with stale cigars from
the late ruler of the Philippines, Fer­
dinand Marcos.
Many stopped to examine two
glass cases of the Ameses’s possess­
ions. Hazel Austin was at first tak­
en, and then repelled, by a small,
diamond and costume pearl chain
with a pendant of a golden red-eyed
amethyst. "Is that a Russian bear?" she
asked, wrinkling her nose. It was.
"I think that people died for this stuff," she said, referring to 10 A.
agents who died after Mr. Ames’s betrayal, for which he was paid
more than $2 million by the Soviet and Russian intelligence service.
Mr. Austin’s husband, Chet, eyed a lot in all. Mr. Echols announced
that all winning bidders would receive a Government certificate of authentic­
itv vouching that their goods came
from the spy’s den.
In short order, the Tiffany boxes, the diamond earrings, the Cartier
watch, the golden ram’s head statu­
et, the opal pendant, the Lalique
glass fish and the chain adorned by
the polar bear of a man clad in a
military uniform, were sold off. A
man gazing dollar signs, he
quickly sold the cocaine cowboys’
spoilts, the gold crucifixes, the crys­
tals, the Picasso, the Saudi pearl
choker. The porcelain tray was sold
in 1983 by a Pakistani general to Cas­
trick theme and “no secrets left.”
Then Mr. Echols cleared his
throat, marched to the podium and
began auctioneering, a rarefied skill
like a man gargling dollar signs, he
let other people clean up the mess
and bar nuclear inspections unless
it two waste sites that are believed to
contain evidence showing that it has
extracted several pounds of weap­
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Cuban Exiles Raise Cash To Resettle New Refugees

Effort to Free 8,000 Being Held in Camps

By MIREE NAVARRO
Special to The New York Times

MIAMI, Dec. 1 — Frustrated over Government delays in releasing Cuban refugee families held in detention camps at the Guantánamo naval base in Cuba and in Panama, Cuban exile groups are getting pledges to privately finance the transportation and resettlement of about 8,000 refugees in this country, including schoolling for more than 2,000 children.

Representatives of a committee that has been pressing the Clinton Administration to release the families said they undertook the effort because they feared that costs of illegal immigration in Florida and an anti-immigrant mood in the country have delayed for weeks a Federal announcement on when the refugees could come to the United States. That announcement is now scheduled for Friday by Justice Department officials, an Administration official said.

"They're very generous," the official said of the Cuban-Americans' offer to underwrite the relocation. But the official added, "This is not going to be a burden to the state, but on humanitarian concerns.

The cost factor, however, has been an issue for Gov. Lawton Chiles, who has sued the Federal Government to get it to pay expenses associated with illegal immigration into Florida. He ran for re-election stressing his success in keeping more than 30,000 Cuban refugees away from Florida last fall.

To appease the Governor and Federal officials who worry about anti-immigrant sentiment elsewhere, Cubans in South Florida have been lining up help in the past few weeks to avoid a drain on public funds.

They said they already had commitments from private institutions, corporations and individuals to cover at least half of the estimated $15 million needed to relocate the refugees. The pledges include free flights from a volunteer aviator group, scholarships from Christian schools and about 8,000 sponsors willing to take in families and guarantee that they will not become a public charge for at least a year.

The Cuban refugees have been held in detention camps since last August, when the Administration ordered their interception after thousands set out in boats and rafts for the United States because of worsening economic conditions in Cuba. The detentions marked the reversal of longstanding American policy of granting entry to refugees fleeing the Communist government of Fidel Castro.

Although Cubans in the United States have always played a major role in the economic assimilation of each new wave of immigrants from Cuba, the plans for the Guantánamo refugees are the most ambitious and broad-based to date. That they are even tried, some experts in Cuban affairs say, attests to the exile community's organizational and financial capacity, and its impatience with American policy on Cuba.

"It's almost an embarrassment for the Cuban community that Castro and divided families continue to be a major public policy issue," said Mark B. Rosenberg, acting dean of Florida International University's College of Urban and Public Affairs.

"The result is that the community tries to come up with its own solutions.

Last month Administration officials said they were leaning toward releasing the families on the ground that keeping children in Guantánamo for months was inhumane.

On Friday, Justice Department officials are expected to list the conditions under which the families would be granted entry. An Administration official said humanitarian need, including the age and health of the child, will be determined on a case-by-case basis before anyone is allowed in.

Administration officials said the decision on the Cuban families is an expansion of a policy announced in October to allow the humanitarian parole into the United States of unaccompanied children under 18 in the detention camps, as well as elderly people and those with urgent medical needs. Already, more than 800 Cubans have been flown in and resettled by voluntary relief agencies under the policy.

Francisco Hernandez, president of the Cuban-American National Foundation, said the ad hoc committee lobbying for the release of the families has secured pledges to help pay for about $2.5 million in transportation costs and about $12 million for initial resettlement costs, including education, health insurance, food and housing.

He said about 9,000 people, mostly relatives or friends of the refugees, have applied with the foundation to sponsor the families. About 30 percent of them are expected to move to Cuban communities in New Jersey, New York, California and other states.

Most contributions are needed in Miami, which even Cubans who settle elsewhere eventually choose as their permanent home. Tom Willey, the South Florida director of World Relief, a service arm of the National Association of Evangelicals, said the agency was urging Christian schools in the Miami area to donate scholarships.

He said one school had already agreed to take five students, and expected many others to follow suit.

The volunteer search-and-rescue group Brothet to the Rescue has committed its donations to fly the children in Little Havana Activities and Nutrition Centers of Dade County, which finds jobs for immigrants in the health care and service industries, says it believes it can place most of the refugees.

Interest in helping the refugees has also come from commercial carriers like United Airlines, El Nuevo Herald and Roman Catholic schools.

Mr. Hernandez said.

He also said his group had offered to pay for the about 1,500 Haitian children who are being held in detention camps in Guantánamo. A Federal judge ruled last month that these children should be allowed into the United States in the same way that Cuban children are, but the Government has appealed that decision.

"Our purpose is to show that this is something that can be done," Mr. Hernandez said. "We're prepared to hold their hand for a year or a year and a half."

A spokesman for Mr. Chiles said the Governor has insisted that families be allowed entry only on the conditions — that they also resettle in other states, that they have sponsors, that the Federal Government take full financial responsibility for them and that the group is counted against the 20,000 visas the United States has agreed to grant annually to Cubans who want to come to this country.
Israelis Yield West Bank Taxation and Health to Palestinians

By JOEL GREENBERG
Special to The New York Times
RAMallah, Israeli-Occupied West Bank, Dec. 1 — Israel handed over responsibility for taxation and health services in the West Bank to the Palestinian Authority today, completing the first phase of an expansion of Palestinian self-rule begun by the Gaza Strip and Jericho.

The ceremonies in Ramallah and Nablus, the head of the Israeli military government in the West Bank, Brig. Gen. Gadi Zohar, signed transfer agreements with officials of the Palestinian Authority. The Palestinians now control the tax department and the government health system throughout all of the West Bank, but will continue to receive technical guidance and management from the Israelis for several months.

Under an accord signed in September 1993 between Israel and the Palestine Liberation Organization, five spheres of authority in the West Bank have been transferred to the Palestinians. Education was handed over in August, and tourism and social services last month.

The expansion of self-rule was delayed for months because of a lack of Palestinian funds to support the five departments run until now by the Israeli military government. But on Wednesday, an international donors meeting in Brussels agreed to close a $125 million Palestinian deficit, pledging $102 million to cover budgetary needs through March 1995.

Mr. Zohar said he was confident Palestinians would extend to places the Israelis had been unable to reach because of delays in establishing mechanisms to monitor expenditures. Donors have also insisted that the Palestinians set up their own tax-collection system to cover costs of running the Palestinian Authority.

Tax resistance is strong in the territories. It spread during a seven-year uprising against Israeli rule, when Palestinians working in the tax department resigned. According to Israeli estimates, only 20 percent of Palestinians taxed in the West Bank met their payments in 1993, when tax revenues totalled some $90 million.

The Palestinian Authority has already run into difficulties collecting taxes in Gaza and Jericho, and it has published appeals in recent weeks urging tax payment as a national duty. Outside of Jericho, it has no police powers in the West Bank, and the legal system there remains under Israeli control.

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Atef Alawneh, director general of the Palestinian Finance Department and minister of finance for the Palestinian Authority, said he was confident Palestinians would have trouble collecting taxes in the West Bank. Mr. Alawneh argued that collection by Palestinians would be more effective because it would lack the coercion of military occupation, would extend to places the Israelis were unable to reach because of security concerns, and would create new revenue sources. The tax authorities would not use force, he said, but would rely instead on friendly persuasion and public goodwill.

Republicans Vow Dismissals, Audits and Reshuffling of House

By MICHAEL WINES
Special to The New York Times
WASHINGTON, Dec. 1 — The House Republicans said today that when they take over next month they will dismiss hordes of Capitol functionaries, restructure all their offices, audit everything, hire more waste-and-fraud watchdogs and make all decisions of any note in the light of public scrutiny.

They said this would save the Government money, though they could not say how much, and they said it would make for a leaner bureaucracy, though they allowed that 1,500 people who were told today that they would be dismissed could apply for their old jobs and that some might be hired back after some re-education.

The remainder will be let go without severance pay, a decision the supervisor of the Republican take-over, Representative Jim Nussle of Iowa, said was deemed "appropriate" by the party's leaders.

Such changes would amount to nothing less than a revolution in House operations, a House, a place which, despite its $728.5 million annual budget, operates more like a cross between the sitcom town of Mayberry and a Chicago alderman's ward. Push-button elevators are staffed with elevator operators, ice is delivered to every office every working day and politics — Democratic politics, for the last 42 years — dictates not just all action, but all inaction, too.

Denouncing Democratic "arrogance" and branding a plethora of flow charts and press releases, Mr. Nussle said those days were over, or would be on Jan. 4. He said the"

Republicans have promised to abolish the Administration Committee, which controls countless internal matters like the appointment of janitors, cafeteria workers, accountants, doorknockers and so on — so they could have a month to decide whether to reappoint for their jobs.

"We want to make sure that these people are dealt with as fairly and as quickly as possible," he said.

Democrats are incensed.

"What they are causing is going to be a major disruption," said Representative Benjamin L. Cardin of Maryland, a senior member of the House Administration Committee, the closest thing to a city council in a federal legislative company town. "This is an unfair thing they are doing."

Among other things, the Republicans propose to abolish the Administration Committee, which controls countless internal matters like the appointment of janitors, cafeteria workers, accountants, doorknockers and so on — so they could have a month to decide whether to reappoint for their jobs.

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Clinton Accuser Loses Appeal On Penthouse

By RONALD SMOTHERS
Special to The New York Times
HENDERSONVILLE, N.C., Dec. 1 — Five years and two months after he went to prison for bilking thousands of contributors to his PTL ministry, Jim Bakker, the former television evangelist, became a free man today.

But Mr. Bakker, now 54 and divorced from his wife of 30 years, Tammy Fay, stayed out of sight in the modest ranch-style house he has been renting for the past three months while under house arrest.

He refused all requests for interviews. On Tuesday he called the sheriff to have television camera crews removed from his property on the outskirts of this Blue Ridge city of 7,380 people.

"He's waited five years to gain his freedom, and a few extra days of waiting in the house for the press to leave won't hurt him," said Chris Nichols, a lawyer whose firm represents Mr. Bakker.

A statement released by James H. Toms, a close friend and also a lawyer for Mr. Bakker, only hinted at the future. "Jim looks forward to rebuilding his life and being of useful service to others," the statement said. "He will remain in western North Carolina."

Friends who have spoken to Mr. Bakker in the last few days said he is overjoyed about his new status, but remains quiet about the media frenzy that followed periodically to probation offices.

Some friends said he was working out an escape plan for his new life and experiences.

Others said they were urging him to return to the ministry in some form, even though he is barred by the terms of his sentence from conducting a ministry on television.

He has repeatedly told these friends that he wants to become a humble person, and has given them new insights that he wants to share.

Some who say they were victims of Mr. Bakker's excesses in his ministry and in the legal fight are feeling charitable now.

"I would never blame him again," said one who was among a dozen of the most prominent and most vocal critics of Mr. Bakker.

"I look back at the period of time we spent together and realize that he was doing what he thought was right for him.

"I think that Jim Bakker is a good man, and that he will find a way to help other people."

Others have found it harder to forgive. "But I have healed," Mr. Edwards said. "I'm going to accept him because he took people's money and bought all this fancy stuff," she said. "I haven't forgiven him for that."

The contempt charges accused the newspaper and Mr. Lingle of "bringing into existence, publishing, printing and distributing a statement concerning the Singapore judiciary" that could be considered defama-

THE NEW YORK TIMES, FRIDAY, DECEMBER 2, 1994

Paper Draws Singapore's Ire With Article by a Professor

By PHILIP SHENON
Special to The New York Times
SINGAPORE — The authoritarian Government of Singapore, which翀dom hides its disdain for American notions of democracy and press freedom, has made a target of an American-owned newspaper that printed an article critical of "intolerant regimes" in Asia.

The newspaper, The International Herald Tribune, has been charged with contempt of court, along with the article's author, Christopher Lingle, an American economist who had taught at the National University of Singapore.

After he was questioned twice by the police last October, Mr. Lingle left Singapore, returned home to Atlanta and announced his resignation from the university. He has said that he will not return to Singapore because he fears arrest and imprisonment.

The police investigation of Mr. Lingle has attracted the attention of the State Department, which issued a statement expressing "disappointment at this apparent attempt by Singaporean authorities to intimidate Professor Lingle."

The Government has denied such allegations.
Mistaken Killing of Three Teen-Agers Erodes City's Confidence

By KENNETH R. NOBLE Special to The New York Times

PASADENA, Calif., Nov. 29 — It was Halloween night a year ago when Deborah Bush, a crime-scene investigator with the Pasadena police, heard the staccato spray of semiautomatic gunfire a few doors from her home in a quiet neighborhood of neatly tended bungalows.

Wasting no time, Ms. Bush sprinted down the street, where she found six bodies sprawled, some writhing in pain, others ominously still. Instinctively, as she had been trained to do as a police officer, she searched for signs of life from the nearest victim, barely a teen-ager, and knew almost at once that he was dead. Moving swiftly to the next body, she again searched in vain for a pulse. And it was only then that she realized that the second bullet-riddled body was her elder son, Stephen Coats, 14.

"I've seen a lot, and Stephen was not the first killing I've helped investigate, but any­time you deal with children, it hurts, it hurts a lot," Ms. Bush said as she recounted the incident.

The shootings erupted as Stephen and nine other boys returned from a adult-chaperoned Halloween party. The police later concluded that the boys had been attacked in a case of mistaken identity: gang members from a nearby neighborhood opened fire on the boys, seeking revenge for the shooting two hours earlier of one of their own. In all, three of the boys died and three were wounded in the second attack.

The facts and fury of what is now known as the Halloween massacre jolted this community of about 125,000, whose collective experience with brazen gang violence had mostly come through newspaper and television accounts of the killing grounds of South- Central Los Angeles.

Until recently, Pasadena, a suburb 12 miles from downtown Los Angeles, was mostly known for the Tournament of Roses parade, the lavish extravaganza televised each New Year’s Day. And the city has worked hard to maintain its imperturbable, cultured and relatively harmonious place to raise a family that first attracted Ms. Bush to the city in the early 1980’s. She and her husband (they have since divorced and she to the city in the early 1980’s. She and her husband (they have since divorced and she has taken back her maiden name) had been living in nearby Altadena, in a neighborhood that was fast deteriorating, she said. In Pasadena, the family settled into the Bungalow Heaven neighborhood.

For the most part, at least until the Halloween killings, Pasadena did seem far removed from the drugs and gang warfare that have engulfed much of Southern California, Ms. Bush said. The scene of Stephen’s killing, North Wilson Avenue, only a half-mile from the parade route, had been regarded as tranquil and safe.

A year later, the Halloween massacre has instilled an enduring fear in this city. This year, there was little trick-or-treating on the streets of Pasadena. Instead, the police and community agencies held an alternative Halloween carnival on the steps of City Hall, on a night when the local police recorded two more murders.

Nowadays, parents are trying to keep children indoors at night, and telling them not to walk through parks. The police had hoped the streets would be calmer by now, what with the arrests of five suspects in the Halloween killings within several weeks of the incident. But since then, they say, at least five mur­ders, half a dozen shootings and three carjackings have been carried out by members of the same local gang, the P-9’s. Most of the crimes are unsolved because the victims are said to be too afraid to talk.

Fear of retaliation was apparently a central element in the trial in September of two young men in the first gang killing that them right from wrong, gave as much guid­ance as I could, and through all of this, I still lost a son."

Ms. Bush also has to deal with the grief and anger of her surviving son Kenneth, 17 months younger than Stephen. Kenneth was walking a few feet away when his brother was gunned down. He was not hurt.

"Kenny is very lucky," Ms. Bush said. "It’s just by the grace of God I didn’t lose two sons. They were best friends, on top of being brothers. You saw one, you saw the other. They even looked alike, and a lot of people asked me if they were twins." Kenneth has had a hard time accepting and adjusting to to Stephen’s death.

"One particular night before the funeral," Ms. Bush said, "a nephew, who was about 5 at the time, asked could he be like his brother. And I said, No, Kenny’s got to go to school. And Kenny was, like, in a panic. ‘He’s got to stay, he’s got to go,’ he said. And I said, ‘And then it dawned on me, when he said, ‘Mom, I don’t think I can sleep in that room by myself.’ He never had to sleep alone before.’"

At the same time, she said, Kenny felt intensely angry about the gang attack. "I was very afraid for him," Ms. Bush said. "I even had him on watch all the time because there was so much going on. I felt that he might take matters on his own. All his friends had this vigilante mentality: ‘We want to go and get them, we want to go and get them.’"

"One day, his sister, Stephanie, 18, is also em­bittered. ‘I wouldn’t recommend that place to nobody,’ she said of Pasadena. “Before, you always heard about someone getting shot, that was somebody’s cousin, or somebody’s uncle, or a friend of another friend’s friend. But now, you hear of people you know getting gunned down, or getting paralyzed. Things have just gotten out of control.”

Annie Beasley, who lives next door to one of the other victims of the Halloween killings, said she does not know her 17-year-old son to put out the trash by himself.

"People say he needs this responsibility, and let him do it on his own, and I do, but I walk with him, just to be sure, because you don’t want to get to happen any­more," she said. “I don’t let my son go outside and play anymore. If he’s on the balcony, I sit out on the balcony with him. I’m not trying to smother him, but I’m just fearful, because I don’t know what could happen.”

Ms. Bush says the emotional damage her family suffered on Halloween, 1993, is per­manent. "I feel the damage to my children broken," she said. "I think that’s the one thing that upsets me the most because as a mom I don’t think I can repair. There’s not anything, anywhere, that’s going to be able to do that.”
Maryland County Embroiled in Voting Rights Suit

By NEIL A. LEWIS
Special to The New York Times

POCOMOKE CITY, Md. — The flat, featureless countryside around here is dotted with the chicken farms that have brought economic renewal to Worcester County. To the north-east at the tip of the county sits Ocean City, a boardwalk isle that serves as a summer draw for the Middle Atlantic States.

But the county may soon become known throughout the nation for something else: It is becoming a prime legal battleground in the war over how to apportion political power fairly between whites and blacks.

The weapons have included the esoteric theories of C. Lanier Guinier, President Clinton's onetime choice to be the nation's civil rights chief, as well as the threat of impatient civil rights leaders to hold Ocean City's dollars hostage to their vision of justice.

The current round began in 1992 when some local black political figures, backed by the National Association for the Advancement of Colored People and the American Civil Liberties Union, brought suit in federal court charging that the county's electoral system discriminates against blacks in violation of the Voting Rights Act of 1965.

The case has since bounced back and forth between a federal court in Baltimore and a federal appellate court in Richmond, and will almost certainly end up in the Supreme Court.

Two of the principal adversaries in the case, one white and the other black, live a few blocks from each other in this small town at the southern end of the county. John (Sonny) Bloxom is a white member of the Worcester County Commission and a defendant in the suit. The principal black plaintiff is Honiss Cane Jr., a lawyer.

At the bottom of the dispute is a voting rights plan, backed by the National Association for the Advancement of Colored People, that would result in the creation of a new district with mostly black voters, a position supported by the Justice Department. The Supreme Court has been wrestling for two years with that plan.

Cumuulative voting is an idea mainly associated with Ms. Guinier, a law professor at the University of Pennsylvania whom Mr. Clinton appointed to head the civil rights division of the Justice Department, only to withdraw her name in June 1993 in the face of mounting opposition over her views on how black voters could increase their influence in elections. Cumulative voting has been used in settling some voting rights suits, but it has never been imposed by a judge.

In Worcester County, it was supposed to have worked this way: All candidates would run at large. Each voter would get five votes, which could all be cast for one candidate or divided among as many as five candidates. That means, for example, that black voters could concentrate their votes on one black candidate, overcoming their numerical minority in the county.

Mr. Bloxom said he thought there were no elected blacks because no black voter could increase his influence.

The likely result now is that the court will impose new boundaries to create a new district with a majority of black voters, a position supported by the Justice Department. The Supreme Court has been wrestling for two years with that plan.

Worcester County could threaten Ocean City's tourist economy.

A legal barrage in the war over how to share power.

one had tried hard enough to win election. He said he himself had to run three times before being elected; no black, he said, has run for office more than once. He is deeply resentful of the suit, he said, because "they're saying they can't get elected without special treatment."

Mr. Cane, the plaintiff, said that without black commissioners, blacks got shut out not only from decisions, but also from patronage, the jobs and contracts the commissioners can dole out.

In September, a three-judge panel of the United States Court of Appeals for the Fourth Circuit, in Richmond, upheld the ruling that Worcester County violated the Voting Rights Act, but said that cumulative voting was not acceptable either because it did not take into account local officials' desire to ensure a system with special representation. Under a cumulative voting plan, all the commissioners could come from one part of the county.

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Worcester County could threaten Ocean City's tourist economy.

A voting rights district in Worcester County could threaten Ocean City's tourist economy.

The commissioners began considering whether to appeal to the Supreme Court that part of the ruling they lost — that there was a violation of the Voting Rights Act. They were suddenly confronted with a threat from the N.A.A.C.P. to organize a boycott of Ocean City on Memorial Day.

Edward H. Hammond, the lawyer for the county commissioners, said it was appalling that civil rights leaders would try to threaten the visitation of Ocean City to force the county to forgo its right of appeal. "We respected the plaintiffs' right to bring the case, they ought to respect our right to have our day in court," he said.

Mr. Cane said he saw nothing wrong with the boycott. "If they can use our taxpayers' money to work against the interest of the black community, we should be able to use the other side, a portion of strength, our economic power," he said.

The boycott threat has proved to be a clumsy tool, and the evidence of that came in October, when the county commissioners took up the issue of whether to proceed with the appeal. They voted unanimously to defy the threat.
**Pataki Warns Of Painful Cuts In State Aid To Close Deficit**

By JAMES DAO

ALBANY, Dec. 1 — Governor-elect George E. Pataki said today that closing a projected $5 billion budget deficit will require painful cuts in state aid, layoffs of workers, and even a possible prison riot, as he reiterated his commitment to take the action necessary to balance the budget.

During the campaign, Mr. Pataki, a Republican, said he would be able to pay for his plan to cut state income tax rates by 25 percent over four years without laying off state employees. He also said that he wanted to safeguard aid to local schools and governments.

"I would like to see education aid increase," he said on Oct. 31.

Today, that position shifted sharply. Mr. Pataki said he had won a mandate from voters not only to cut taxes, but also to cut spending.

"Until we have the courage and the commitment to take the action necessary to not just solve one year's problems but to break that structural imbalance, we'll have this problem," he said.

"We want to take actions in 1993 that, for once and for all, control the spending that has been the problem for this state government."**

Mr. Pataki also hinted that he may not move his family from their large Victorian home in the Putnam County town of Garrison to the Governor's Mansion in Albany next year.

"We want to be as less disruptive as possible to our kids' lives," said Mr. Pataki, who has four school-age children. "We are leaning very strongly now toward having them continue the balance of this school year in the schools where they are. But even beyond that point, we have not made any final determination."

Between his meetings with Mr. Cuomo and budget advisers, Mr. Pataki met with the Republican's two leading legislators, the new Senate majority leader, Joseph L. Bruno, and the assembly minority leader, Clarence D. Rappleyea. He also addressed a meeting of the Assembly Republicans, receiving a rousing ovation from colleagues with whom he served for eight years and who now view him as the local boy who made good.

In an afternoon news conference, Mr. Pataki elaborated somewhat on their meeting, saying that he reiterated his requests that Mr. Cuomo freeze state hiring and delay signing unessential contracts before Jan. 1. He said Mr. Cuomo did not commit to the freeze, but promised to try to reduce spending.

Mr. Pataki also said that Mr. Cuomo seemed to agree with him that an employee buyout program by the State Power Authority was too generous. Later, Mr. Cuomo released a letter sent by his counsel to Power Authority officials saying that the buyout program might violate an executive order which, among other things, requires all compensation programs to be reviewed by Mr. Cuomo's budget division.

A spokesman for the Power Authority, Stephen Shoenholz, said he had not seen the letter and could not comment on it.

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After the meeting, one of Mr. Pataki's leading budget advisers, Assemblyman John J. Faso, said the projected deficit of $4.25 billion would be about $800 million. Add that to the budget deficit and the shortfall hits $5.05 billion.

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**Pataki Warns Of Painful Cuts In State Aid To Close Deficit**

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Republicans Elect Bruno Senate Leader

By KEVIN SACK

SPECIAL TO THE NEW YORK TIMES

ALBANY, Dec. 1 — In a changing of the guard in the State Senate, Republicans formally elected Joseph L. Bruno of Rensselaer County as their leader on Friday.

"The people on Nov. 8 dictated to the people of this state that there be change," Mr. Bruno said at a news conference, where he was surrounded and who has since resigned from his Republican colleagues.

"The people in our conference recognize that change and have consequently supported me."

Mr. Bruno, a 65-year-old 18-year veteran of the Senate, pledged to work closely with the new Senate colleague, Governor-elect George E. Pataki, who held a round of meetings in the Capitol today with other legislative leaders, budget officials and Gov. Mario M. Cuomo. But Mr. Bruno offered few specifics about how Mr. Pataki should restore the state's fiscal health, saying only that it was clear that the state had taxed and spent itself into an economic hole.

Instead, Mr. Bruno focused on the changes he would like to bring to the legislative process. He would ban the Senate's infamous all-night sessions, in which deals are cut and lawmakers vote on bills they have never read. The Senate recessed last June at 11:20 A.M. after one such session, when a number of important bills died in the final hours.

Mr. Bruno also pledged to start Senate sessions on time, a novel concept in his time in office. He said, "I've never been a man who has had a lot of success reaching my desk," he said. "I was the last person to get up there."

But he said the only decision he has yet decided was to discuss with the Assembly Speaker Sheldon Silver. The Senate leader since 1989 but who had opposed Mr. Bruno's candidacy earlier this year. Mr. Silver did not attend the closed-door session today at which Mr. Bruno was selected.

The full Senate is expected to confirm Mr. Bruno's election in a vote on the floor when it convenes next month.

Mr. Bruno said it was clear that New York has spent and overtaxed, although he conceded that he voted for this year's budget, which he called "unconscionable" because it raised the spending in the general fund by more than 6 percent over the previous year.

"It was the only document on the floor," he explained. "And if I'd had a choice my vote would have been otherwise."

Mr. Pataki was the only Republican who voted against this year's budget, which was negotiated by Mr. Marino, Mr. Cuomo and Assembly Speaker Sheldon Silver.

Abstinence Bill Passed By the Assembly Again

Whitman Has Doubts About the Measure

By JOSEPH F. SULLIVAN

SPECIAL TO THE NEW YORK TIMES

TRENTON, Dec. 1 — For the third time in six years, the New Jersey Assembly passed a bill today that would require schools to teach sexual abstinence as the "only completely reliable means" of preventing unwanted pregnancies and sexually transmitted diseases like AIDS.

The bill was approved 53 to 16 and sent to the Senate.

While no one opposes teaching abstinence, opponents of the bill argue that these areas of the bill would allow all local districts to teach abstinence as the "only complete and reliable means of preventing unwanted pregnancies and sexually transmitted diseases like AIDS."

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While no one opposes teaching abstinence, opponents of the bill argue that they have never read. The Senate recessed last June at 11:20 A.M. after one such session, when a number of important bills died in the final hours.

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"It's a common sense bill and contains nothing harmful or not in the best interest of students."

It will bring some sense of security to the young men and women who are abstaining and who want to know there is a place for them in sex education programs," he said. "Some teachers are showing them bananas with condoms on them or condoms that glow in the dark, but not talking about abstinence."

The bill has the support of The New Jersey Catholic Conference, New Jersey Right to Life, the Christian Coalition and a number of other organizations.

Opponents of the measure include the New Jersey Education Association, the New Jersey School Boards Association, the Association of Children for New Jersey, the League of Women Voters, the National Abortion Rights Action League and the Coalition for Comprehensive Family Life and Sexuality Education, which includes 35 member organizations.

The coalition contends that a Rutgers University study shows that most teachers already teach abstinence, but that placing greater emphasis on it would limit the time that other important information could be discussed with the aim of helping teen-agers make responsible decisions about their sexuality.
Big County Is Facing Huge Loss

Orange, Calif., Hurt As Derivatives Drop

By LESLIE WAYNE

Orange County, Calif., one of the wealthiest counties in the nation, is facing one of the biggest investment losses ever — $1.4 billion — from purchases of highly volatile investments known as derivatives, which have fallen in value as interest rates have risen.

The Orange County loss appears to be the largest by an investment fund, either corporate or municipal, from purchases of complex instruments. And it overshadows such well-publicized problems that derivatives have caused at Procter & Gamble, the investment firm of Piper Jaffray and, just last week, the Mellon Bank.

In a statement announcing the losses yesterday, Robert Citron, the Orange County treasurer, said they were still only on paper. But critics of Mr. Citron's investment policy assert that many of the securities may never recover in value. They estimate that the losses could rise to $2 billion or more.

"Orange County has joined the ranks of these problems in a big way," said Richard Y. Roberts, a commissioner of the Securities and Exchange Commission. "It's worse some to the S.E.C. These securities, which were dreamed up more in a boiler room than a conference room, which were backed by the tax payers, borrowed some $12 billion in value. And some $12 billion was borrowed, in the form of reverse repurchase agreements, which are sold to a broad range of investors and corporations that tried to serve money for future needs from more than 180 municipalities in California and $12 billion in borrowed funds.

The largest investors in the fund are the county itself, the transportation authority, sanitation districts and California cities outside the county.

Mr. Citron, who did not respond to requests for comment, took some $8 billion in the money of these municipalities, borrowed some $12 billion in value, and used it to buy a wide variety of securities that go by the name of floating-rate derivatives and reverse repurchase agreements.

As of August, $5.7 billion was invested in floating-rate instruments that decreased in value as interest rates rose. Also, about $7.5 billion was invested in government-agency four-year notes, which have also fallen in value. And some $12 billion was borrowed, in the form of reverse repurchase agreements, which involved a high amount of leverage, or risk, to the portfolio.

The borrowed money, which was pegged to rising short-term interest rates, was used to buy the longer-term government agency notes, according to those who have seen the portfolio.

"All these securities have lost value and are not worth what they paid for them," said Joseph Mysak, editor of Grant's Municipal Bond Observer, an industry newsletter. "This county has taken a market hit. And then they borrowed to do that, so it's even worse."

Mr. Citron, in his statement, defended his actions. "In my 21 years of managing this fund, I have done it with bear markets and bull markets, and am confident that we can deal with this situation," he said.

The county said it was assembling a team of county executives and securities consultants to develop a strategy to resolve the fund's problems. Mr. Citron's actions came under sharp fire in June when he was challenged for the county treasurer's post. He won. But his opponent, John M. Moorsch, a Costa Mesa, Calif., accountant, made Mr. Citron's investments a campaign issue, calling them "junk." Following yesterday's announcement, Mr. Moorisch said: "The good news is that I was right. The bad news, too, is that I was right. Rising interest rates are the kiss of death for this investment strategy."

Merrill Lynch & Company sold Orange County many of the securities in the fund. A spokesman said the firm would experience no losses as a result of the Orange County problems. Merrill Lynch shares fell by $1.50 to close at $36.50 in trading yesterday on the New York Stock Exchange.

The exact impact of these potential losses on the operations of the 180 municipalities and agencies that put their money into this fund is unclear. The most vulnerable are school districts, including Orange County schools, because they could have more immediate needs for the money.

Nearly 60 percent of the money was put in on an involuntary basis, and the largest amount came from the county's transportation authority. Mr. Citron's office said yesterday that a number of the municipalities that voluntarily put their reserve money into the fund would continue to do so, although nine said yesterday that they were reviewing this situation.

The Orange County Sanitation District, which has $400 million in the fund, said it would stay. "It's not a problem for us," said Steve Kozak, the district's financial manager. "He said the district has no upcoming needs for the money.

The fund is not intended to cover continuing municipal expenses. Instead, it is an investment pool where municipalities put their extra cash in order to earn more.

Karen S. Krop, an assistant vice president at Moody's Investors Service, a rating agency, said that it was having "ongoing discussions" with Orange County officials to review the situation. It is too early to determine, Ms. Krop said, if the agency will downgrade the county's rating as a result of yesterday's announcement. The county's current rating is Aaa, just below the top rating.

Most of the county's debt is made up of general obligation borrowings, which are backed by the tax payments of county residents.

John L. Schiavetti, an analyst at Fitch's Investment Services, another rating agency, said that municipalities like Orange County are ill-equipped to make the complex financial analyses required to understand derivatives.

A warning to this effect was recently issued by the Government Finance Officers Association. "It's difficult to analyze such high-risk securities," Mr. Schiavetti said. "It takes a lot to understand these things and loss of municipalities simply don't have the expertise."

Continued From First Business Page

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Retail Sales Rise Slowly

As Holiday Buying Begins

BY STEPHANIE STROM

The nation's retail chains managed to ring up moderate sales gains in November, but only after jumping-starting their businesses with holiday advertising and promotions.

The month was a cliffhanger for most retailers as sales, which were weak in September and October, stalled during the first three weeks of the month before picking up steam around Thanksgiving Day.

And some analysts expect business this month to be equally as nerve-racking for retailers. "Only during the post-Thanksgiving period did the momentum accelerate so that retailers showed some gains," said Jeffrey M. Feiner, a retail analyst at Salomon Brothers. "December is going to be the same kind of see-saw with strong momentum only at the finish."

Nonetheless, Mr. Feiner and other analysts are sticking to their estimates of holiday sales gains somewhere in the 5 percent to 6 percent range.

Investors were less sanguine, however, and several retail stocks declined yesterday. Shares of J. C. Penney fell $3.50 to a 52-week low of $42.50 after the retailer reported a meager 1.5 percent same-store sales increase, and disappointing sales at Best Buy, whose shares plummeted $11.37 yesterday, dragged down the stocks of some other consumer electronics chains. Best Buy's management predicted that its sales would be less than Wall Street estimates.

Large national discount stores racked up the biggest gains last month. Target, the discount store division of the Dayton Hudson Corporation, reported a 9.2 percent same-store sales increase, while Wal-Mart Stores Inc.'s discount stores had a 5.4 percent rise in same-store sales. Even the more significant discount stores, which have struggled with weak sales all year, had a 4.2 percent same-store sales increase in November.

Analysts follow same-store sales, or sales in stores open at least one year, because they are a better gauge of a retailer's performance.

Most other retailers posted same-store sales gains of between 1 percent and 4 percent. The Goldman, Sachs Retail Composite Comparables-Store Sales Index, a weighted average of the monthly same-store sales of 53 national retail companies, rose 3.9 percent in November, compared to 3.4 percent in the same month last year and 3.1 percent in 1992.

"This is the strongest November we've had in the last four years, but relative to people's expectations, it was slightly disappointing," said Richard N. Baum, a retail analyst at Goldman, Sachs.

As they have all year long, consumers demonstrated a preference for everything but women's apparel. Retailers reported strong sales of gift items like jewelry, fragrances and men's sportswear and of hard goods like kitchen appliances and home decorating items. The Sharper Image, which specializes in selling offbeat gadgets and gift items, said its same-store sales climbed 27 percent in November, and same-store sales at Bed, Bath & Beyond, which sells goods for the home, rose 8.7 percent.

Most stores doing the bulk of their business in clothing, however, fared less well, although the Ann Taylor Stores Corporation reported an 18.4 percent same-store sales increase.

"In general, apparel usually shows where it's happening," Mr. Baum said.

Gap Inc.'s same-stores sales inched ahead a scant 1 percent, buoyed by strong sales in its Banana Republic stores. The Limited Inc. said its same-store sales slid 4 percent, in spite of rising gains in its men's business and moderate gains at Victoria's Secret, its lingerie chain. The uneven sales pace of the last few months has unnerved retailers and put more pressure on them to increase sales in December or risk heavy markdowns in January. "Given the unseasonably warm weather experienced in October and November, December becomes an even more significant month for both our catalogue and retail businesses," said John J. Shea, president and chief executive of Spiegel Inc., whose Eddie Bauer stores' same-store sales slipped 3 percent last month.

Analysts had mixed opinions about whether the delay in sales momentum would lead to a round of price slashing. Retailers have become more and more accustomed to doing most of their holiday business in the 10 days immediately before Christmas in spite of their efforts to entice consumers into buying early.

"I think they'll wait a week more to see how business is developing before they take a red pencil to some of their price tags," said Walter F. Loeb, an independent retail analyst.

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Retailers See Moderate Sales Gains

Continued From First Business Page

Here are the domestic November sales reported yesterday by some of the nation's largest retailers:

**Wal-Mart Stores**

For month of November: Same-store sales rose 5.4 percent. Overall sales totaled $17.85 billion, up 4.8 percent from $17.03 billion.

**J. C. Penney**

For month of November: Same-store sales rose 5.3 percent. Overall sales totaled $2.9 billion, an 1.5 percent increase from $2.82 billion.

**Sears, Roebuck**

For month of November: Same-store sales rose 4.3 percent. Overall sales totaled $3.82 billion, up 5.9 percent from $3.57 billion.

**Dayton Hudson**

For four weeks ended on Nov. 26: Same-store sales rose 8.7 percent. Overall sales totaled $1.85 billion, up 14.3 percent from $1.71 billion.

**May Department Stores**

For four weeks ended on Nov. 26: Same-store sales rose 5.3 percent at Penney stores only. Overall sales totaled $2 billion, up 2 percent from $1.98 billion.

**Limited Inc.**

For four weeks ended on Nov. 26: Same-store sales rose 3.4 percent. Overall sales totaled $1.02 billion, up 8.4 percent from $739.4 million.

**Federated Department Stores**

For four weeks ended on Nov. 26: Same-store sales rose 5.4 percent. Overall sales totaled $657.4 million, up 4 percent from $632.9 million.

**Dillard Department Stores**

For four weeks ended on Nov. 26: Same-store sales rose 3 percent. Overall sales totaled $449.9 million, up 4 percent from $436.3 million.

**Woolworth**

For four weeks ended on Nov. 26: Same-store domestic sales rose 6 percent. Overall sales totaled $425 million, up 5.9 percent from $405 million. Total sales, including foreign, totaled $671 million, up 3.4 percent from $649 million.

**TXJ Co.**

For four weeks ended on Nov. 26: Same-store sales fell 3 percent. Overall sales totaled $132 million, up 5 percent from $125.4 million.

**Gap Inc.**

For four weeks ended on Nov. 26: Same-store sales rose 1 percent. Overall sales totaled $322 million, up 14 percent from $290 million.
CREDIT MARKETS

Bonds Ebb; Buyers Await Data on Jobs

Strong Income Figures Have Negligible Effect

By ROBERT HURTADO

Prices of Treasury securities were slightly lower yesterday in moderate trading, in advance of the important monthly employment report due today.

The benchmark 30-year bond fell 5/32 to 94965, pushing up its yield to 6.01 percent, from 8 percent on Wednesday. Rates for shorter-maturity bills also increased as prices, which move in the opposite direction, were lower.

The market limited its losses despite a barrage of data showing strong economic growth — the sort of news that has depressed bond prices out of fear of inflation. The reports were all close to expectations, and many traders awaited today's November employment figures.

Manufacturers reported brisk growth and higher prices last month, spurring the concern that interest rates would go up. But sales reported by the nation's big retail chains were considered somewhat disappointing.

Marilyn Schaja, an economist with Donaldson, Lufkin & Jenrette, said yesterday's data showed that the economy was continuing to grow more strongly than desired "and put more pressure on the Fed to firm policy further."

She said she expected the Federal Reserve to next raise short-term interest rates at the Jan. 31 meeting of its rate-setting Federal Open Market Committee, but she did not rule out an increase at the committee's Dec. 20 meeting.

Other data released yesterday included October construction spending, up nine-tenths of 1 percent, and weekly jobless claims, down nine-tenths of 1 percent.

FINANCE BRIEFS

Debt

* Alabama Power Co. is selling $150 million of bonds due in 2024 through Donaldson, Lufkin & Jenrette Securities Corp. The bonds, which are callable in five years, carry an interest rate of 9 percent and are priced at par.

* Federal Home Loan Bank is selling $59 million of notes due in 1998 through Smith Barney Inc. The notes, which are callable in two years, carry an interest rate of 8.26 percent and are priced at par.

* Federal Home Loan Bank is selling $75 million of bonds due in 1998 through the Discount Corp. of New York. The bonds, which are callable in a year, carry an interest rate of 8.21 percent and are priced at par.

Federal Reserve

Monetary Aggregates* Average in billions of dollars.

<table>
<thead>
<tr>
<th>One week ended</th>
<th>Annual growth rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nov. 21</td>
<td>Nov. 14</td>
</tr>
<tr>
<td>3 mos.</td>
<td>6 mos.</td>
</tr>
<tr>
<td>12 mos.</td>
<td></td>
</tr>
<tr>
<td>M-1</td>
<td></td>
</tr>
<tr>
<td>1.153</td>
<td>R 1.143</td>
</tr>
<tr>
<td>M-2</td>
<td>3.605</td>
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<tr>
<td>M-3</td>
<td>4.275</td>
</tr>
<tr>
<td>Monetary Base (St. Lous) ...</td>
<td></td>
</tr>
<tr>
<td>456.4</td>
<td>454.2</td>
</tr>
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</table>

Reserve Data Average in millions of dollars.

<table>
<thead>
<tr>
<th>2 weeks ended</th>
<th>2 weeks ended</th>
<th>Avg. 3 months ended</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nov 23</td>
<td>Nov 9</td>
<td>Oct</td>
</tr>
<tr>
<td>Total Reserves</td>
<td>R 56,946</td>
<td>R 56,784</td>
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<tr>
<td>Borrowed Reserves</td>
<td>R 291</td>
<td>455</td>
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<tr>
<td>Extended Credits</td>
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<td>0</td>
</tr>
<tr>
<td>Required Reserves</td>
<td>R 50,023</td>
<td>R 50,023</td>
</tr>
<tr>
<td>Excess Reserves</td>
<td>R 924</td>
<td>R 838</td>
</tr>
</tbody>
</table>

Week ended Nov 30 Nov 23

| Borrowed Reserves | 224 |
| Extended Credit | R 198 |

*Seasonally adjusted. N.A. Not available.

Key Rates

In percent | Year | Year | Year | Year
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
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</thead>
<tbody>
<tr>
<td>PRIME RATE</td>
<td>8.50</td>
<td>8.50</td>
<td>6.00</td>
<td>6.00</td>
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<tr>
<td>DISCOUNT RATE</td>
<td>4.75</td>
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<td>3.00</td>
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<tr>
<td>FEDERAL FUNDS</td>
<td>5.56</td>
<td>5.56</td>
<td>3.04</td>
<td>3.04</td>
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<tr>
<td>3-MO. TREAT. BILLS</td>
<td>5.57</td>
<td>5.57</td>
<td>3.10</td>
<td>3.10</td>
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<tr>
<td>6-MO. TREAT. BILLS</td>
<td>5.97</td>
<td>5.97</td>
<td>3.05</td>
<td>3.05</td>
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<tr>
<td>10-YR. TREAT. NOTES</td>
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<td>7.92</td>
<td>5.97</td>
<td>5.97</td>
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<td>30-YR. TREAT. BONDS</td>
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<td>8.01</td>
<td>6.28</td>
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<tr>
<td>TELEPHONE BONDS</td>
<td>8.88</td>
<td>8.88</td>
<td>7.31</td>
<td>7.31</td>
</tr>
<tr>
<td>MUNICIPAL BONDS</td>
<td>7.11</td>
<td>7.11</td>
<td>5.66</td>
<td>5.66</td>
</tr>
</tbody>
</table>

*Estimated daily average, source Telerate, Federal Reserve Bank of Boston, Cathy E. Minehan, who said on a Boston radio program that a tight labor market could spur inflation and that the economy was showing "very strong growth." Ms. Minehan is to become a voting member of the Federal Open Market Committee at the January meeting.

Among traders in the corporate bond market, the reaction was similar to those dealing in Treasury securities — refusing to succumb to the stronger-than-expected consumption and personal-income data. October's income data indicated a rise in wages and salaries.

Prices of municipal securities were little changed as investors voted for a limited quantity with relatively higher yields.

Last month, states, localities and agencies sold $12.1 billion in new securities, including negotiated and competitive ones, according to Bloomberg Business News.

The total amount of debt sold in November was slightly higher than in October, with municipal issues selling $7.1 billion through negotiations with underwriters and $4.996 million through competitive bidding.

The New York Times
Be it bodies or batteries, motors or wheels, the drive continues toward technology for the practical, mass-produced electric car. At an electric-vehicle symposium in Anaheim, Calif., three significant announcements are expected today:  

- An electric car manufacturer will introduce the nation’s first vehicle made of lightweight composite materials and designed for mass production.  
- A company that makes batteries that are replaced by rechargeing the fuel pack will discard plans for a large-scale test of the German postal service.  
- A Canadian electric utility company closed yesterday at $6,875, up 21 cents, but efforts to work things out, but due to recent conjecture in the press, we have de-  

The range will depend on the battery available in 1997: “We’re trying to leave as many options open as possible for battery technologies,” said Arvind Rajan, vice president. With sealed lead-acid batteries, which are now commercially available, it would go 120 miles at a steady 33 miles an hour, he said. The Sunrise would go substantially farther. Nickel metal-hydride batteries, he said, if those were to become available in mass-product volumes. The car was financed by the Advanced Research Projects Agency, which is part of the Pentagon, and by Boston Edison, which holds the marketing rights in nine Northeast states and markets outside the United States. In the second announcement expected today in Anaheim, the German postal service, Deutsche Bundespost, plans to conduct a large-scale test of electric vehicles that are recharged by replacing the fuel pack rather than connecting the battery to an electric recharger. The postal service will buy more than 50 vans and light pickup trucks made by Mercedes-Benz that will use batteries produced by the Electric Fuel Corporation. Electric Fuel has its corporate offices in New York and its research, development and manufacturing operations in Jerusalem. The total budget for the test is $14.8 million, with about $6 million going to Electric Fuel. The contract is Electric Fuel’s first product sale. Shares in the company closed yesterday at $6.875, up 37.5 cents in Nasdaq trading. In February, when the company went public, its shares traded above $14.  

The third announcement today will be by Hydro-Quebec, the electric utility owned by the Canadian province of Quebec. The company has developed an unusual all-in-one combination of electric motor and automobile wheel. The setup has only one moving part, and would eliminate the transmission and axles found in conventional cars.  

Deutsche Bundespost, which last year began testing vans powered by the Electric Fuel battery, will begin the expanded trials in September and will run until at least the end of 1996; if it works as projected, the Bundespost and a sister company, the German postal service, Despost Postdienst, plans to conduct a large-scale test of electric vehicles that are recharged by replacing the fuel pack rather than connecting the battery to an electric recharger. The postal service will buy more than 50 vans and light pickup trucks made by Mercedes-Benz that will use batteries produced by the Electric Fuel Corporation. Electric Fuel has its corporate offices in New York and its research, development and manufacturing operations in Jerusalem. The total budget for the test is $14.8 million, with about $6 million going to Electric Fuel. The contract is Electric Fuel’s first product sale. Shares in the company closed yesterday at $6.875, up 37.5 cents in Nasdaq trading. In February, when the company went public, its shares traded above $14.  

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"This personal and painful deci- 

sion was made between us in July," the couple said in a statement. “Since that time we have been trying to work things out, but due to recent conjecture in the press, we have decided to make a statement at this time.”  

They said they had no plans to seek a divorce.  

HILLARY RODHAM CLINTON had some observations this week about the intrusion of the press into her private life, too.  

"We've always wanted a sibling for our child, said: "If the alien baby comes, we are ready. We've always wanted a sibling for Chelsea. I'm not quite sure I know how to take care of an alien baby, but I would sure try to learn."

The batteries store more than four times as much electricity per pound as lead-acid batteries do, and can deliver current in larger volumes than lead-acid when required. The catch is that they must be recharged by removing the zine and taking it to a factory for reprocessing.  

But they store so much energy that they can go for a week just like regular-cars," said Jonathan Wharton, Electric Fuel’s vice president.  

State laws are encouraging developments in technology.

 Chronicle

- Cindy Crawford and Richard Gere separate
- Hillary Rodham Clinton on the loss of privacy
- Marla Maples Trump, happy camper.

In May, CINDY CRAWFORD and RICHARD GERE took a full-page advertisement in The Times of London to proclaim the strength of their marriage and to say they were looking forward to having a family. Yesterday, they announced that they had separated. The news was released by two public-relations concerns in Los Angeles: PMK (his) and Wolf Kasteller (hers).  

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"This is one of the challenges I find hard," she told the audience of more than 700 in the Mayflower Ho- tel in Washington on Tuesday. “The level of criticism and attacks are aston- nishing to me, and I find two things bizarre beyond the pale, and your breath is taken away.”  

As for tabloid reports in Septem- ber that she was pregnant with a space alien's child, she said: "If the alien baby comes, we are ready. We've always wanted a sibling for Chelsea. I'm not quite sure I know how to take care of an alien baby, but I would sure try to learn."
By JOHN DARNTON
Special to The New York Times

LONDON, Dec. 1 — The British Government and Sinn Fein, the political arm of the Irish Republican Army, will start negotiations in Belfast this week to try to resolve the conflict in Northern Ireland.

Although the announcement was not a surprise, it still set off an exciting ripple that history was in the making. Official officials have in the past conducted secret talks with Sinn Fein leaders, but never before have they sat down openly at the same table with them.

In both a letter to the Sinn Fein leader, Gerry Adams, and in a three-paragraph statement, Downing Street pointedly referred to the meeting as “exploratory dialogue.” This is in keeping with London’s position that it is simply joining in “talks about talks,” not a full negotiating session, which must involve all parties to the conflict.

For 25 years now the I.R.A. has been fighting in the name of the Roman Catholic minority of 650,000 in Northern Ireland. It wants to join Ulster, the six counties of Northern Ireland, to the Irish Republic, a move opposed by most of the province’s 550,000 Protestant majority.

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The announcement of talks evoked a predictable pattern of responses across Northern Ireland’s political spectrum. Mr. Adams, who worked to persuade the I.R.A. to go along with a unilateral cease-fire that was declared Sept. 1, welcomed it.

“The opportunity to realize a lasting peace, which will benefit all of the people of Ireland, has never been greater,” he said in a statement. “The Ulster Unionist Party, the main Protestant political group in Northern Ireland, was skeptical accepting, as it has been all along. John Taylor, a Unionist Member of Parliament, said the talks would at least establish whether “Sinn Fein is real an become a normal political party.”

The Rev. Ian Paisley, a Member of Parliament whose Democratic Unionist Party has become a rejectionist front, continues to oppose talks or any move smacking of compromise. He told the House of Commons this afternoon that “a vast majority of people” resented the decision to talk to “the men of blood.”

Sinn Fein will be represented at the talks by Martin McGuinness, a veteran I.R.A. political leader who took part in secret contacts that broke up last year. In 1972, together with Mr. Adams, he was flown to London for a meeting with William Whitelaw, who was then Northern Ireland Secretary of State. Those talks eventually failed.

Mr. Adams himself will be in Washington on Wednesday. He is scheduled to attend a meeting in the White House — his first one there — with Anthony Lake, President Clinton’s national security adviser. Only seven weeks ago, Britain protested vigorously at the thought of Mr. Adams visiting the White House. But even now moved to sit down openly at the same table with him has gained a kind of legitimacy that is hard for Whitelaw to deny. His new visa to the United States, good for three months, is multiple entry.

The first session will be held at Stormont, a gigantic, columned edifice on top of a hill on the outskirts of Belfast that housed the old Northern Ireland parliament.

The Government team of civil servants — in contrast to higher-level ministers — will be led by Quentin Thomas, deputy secretary of the British administration called the Northern Ireland Office.

The key question is what will be discussed. On the British side, the top of the agenda is how to get the I.R.A. to turn over or otherwise decommission its considerable stash of some 100 tons of arms and explosives. There is nothing, of course, that Sinn Fein is less likely to agree to at the outset. So if the British make this a condition for the multilateral talks to begin, the two sides will meet an obstacle right away.

Mr. McGuinness said Wednesday that the issue of I.R.A. weapons had to be considered “in the context of us removing the causes of conflict, the reason why people use armed force in our society.”

From its side, Mr. Adams said Sinn Fein wanted to discuss being treated with “a parity of esteem” with the other parties and “the release of all political prisoners.”

The British Government also said Wednesday that it would soon hold talks with representatives of the so-called loyalist paramilitaries on the Protestant side. And it indicated it would have no objection if elected Sinn Fein councillors attended a major international investment conference in Belfast on Dec. 13 and 14.

Clinton Names Irish Adviser

WASHINGTON, Dec. 1 (Reuters) — President Clinton named Senator George Mitchell today as his special adviser for Ireland and said the retiring Senate Democratic leader would spur American efforts to promote peace there.

In a White House ceremony, President Clinton also said he welcomed Britain’s decision to hold talks with the political arm of the I.R.A.

Mr. Clinton said the Maine lawmaker would supervise American efforts to promote investment in Northern Ireland and oversee a White House conference on the issue in Philadelphia in April.
Ortega went to Cuba a week ago for a checkup in Cuba revealed that he had a heart attack, according to the Sandinista party said. Mr. Ortega is being treated in a Jamaican hospital. Mr. Patterson said. "It is beyond the capacity of the Jamaican Government to protect the media, that can be given to non-Jamaicans."

Colin Powell Honored With Order of Jamaica

KINGSTON, Jamaica (AP) — Colin L. Powell, a child of Jamaican immigrants who worked his way up to become the American military, received one of Jamaica's highest honors today.

The retired general's wife, Alma, his three children and two grandchildren watched as Jamaica's Governor General, Sir Howard Cooke, draped a green sash with the insignia of the Order of Jamaica over his neck. The Order is the highest honor that can be given to non-Jamaicans.
**Balkan War May Spread Into Croatia**

**Serbs Exchange Fire With Croatian Army**

By ROGER COHEN

TOPUSKO, Croatia, Dec. 1 — Intense mortar and artillery fire broke out in Croatia today as the war in Bosnia threatened to spread beyond its borders.

Paul Risley, a spokesman for the United Nations Protection Force, said there was a "fierce exchange of artillery and mortar fire this morning" between the Croatian Army and Serbian forces who have controlled close to one-third of Croatia since 1991.

A cease-fire between the Croatian Government and the country's Serbian minority, which controls the Krajina area, has held for nearly three years with only occasional lapses.

But tensions between the Croatian Government and the Krajina Serbs have mounted to the breaking point since large numbers of Croatian Serbs joined an assault by the Bosnian Serbs on Sarajevo, the Croatian capital.

The Krajina Serbs have attacked the town of Bihac, a Muslim enclave in northwestern Bosnia.

The Croatian Defense Minister, Gojko Susak, said this week that Croatia was ready to go back to war if the Serbs overran Bihac.

"Croatia will not wait for the fall of Bihac," he told reporters in the capital, Zagreb. The Associated Press quoted him as saying that "we are monitoring the situation, and if Croatia's judgment is that Bihac is about to fall, Croatia will intervene."

A resumption of fighting in Croatia might perhaps prompt Serbia to intervene on behalf of its cousins in Krajina, spreading the war.

But in the past Croatia has used bluster repeatedly without taking action, and Serbs, in recent months, has appeared committed to seeking a resolution of the region's problems through negotiations.

The shelling and mortar fire, the latest of 129 violations of the cease-fire since NATO began its protection mission in Croatia, has appeared committed to seeking a resolution of the region's problems through negotiations.

"They said they did it on orders from above, and that this incident could only be resolved throughPale," Mr. Ivanko said, referring to the mountain headquarters of the Bosnian Serb leadership near Sarajevo. "No reason was given as to why they did this."

The hostages were taken through Croatian territory and past another United Nations checkpoint, another United Nations official said.

"We have no contact with the seventh Ukrainian prisoners since NATO did not have a presence in the village of Novi Dvor," Mr. Ivanko said, adding that the Serbs turned back a reconnaissance team sent to find the men.

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The Krajina Serbs have attacked the town of Bihac from an illegally occupied airfield in Serbian-held Croatia more than a week ago. In effect, these United Nations checkpoints have proved reliable insurmountable obstacles.

The Ukrainian prisoners joined approximately 400 other United Nations soldiers who have been held captive by the Serbs since NATO launched an air raid on the Udbina airfield in Serbian-held Croatia more than a week ago. In effect, these captives have proved reliable insurance against further NATO action.

United Nations officials said the kidnapping of the Ukrainians was discovered on a routine check that found the Serbs in control of the isolated observation post and the Ukrainians nowhere to be seen.

"The people that are holding them have contacted the Ukrainians through a Serb militia commander," said a United Nations spokesman in Zagreb.

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"Up to now the Croatian Government has shown considerable restraint and patience," said Mr. Williams. "But they have been obliged by Muslims who are opposed to the pocket, there was intense fighting as Serbian Serb forces supported by Serbs as a whole that would last at least three months. The Serbs want a longer cease-fire that might serve to consolidate their current hold on 70 percent of Bosnia; the Muslim-led Bosnian forces want a limited cease-fire "that would offer them a respite from the Bihac assault."

The United Nations is striving to obtain a cease-fire for the Bihac pocket and Bosnia as a whole that would last at least three months. The Serbs want a longer cease-fire that might serve to consolidate their current hold on 70 percent of Bosnia; the Muslim-led Bosnian forces want a limited cease-fire that would offer them a respite from the Bihac assault.

The town of Bihac itself was reported by United Nations officials to be comparatively quiet today with intermittent small-arms and heavy-machine-gun fire. But the town's plight remains extreme.

In Velika Kladusa, in the north of the pocket, there was intense fighting as Croatian Serb forces supported by Serbs as a whole that would last at least three months. The Serbs want a longer cease-fire that might serve to consolidate their current hold on 70 percent of Bosnia; the Muslim-led Bosnian forces want a limited cease-fire that would offer them a respite from the Bihac assault.

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CONFLICT IN THE BALKANS: Talk of Errors and Doubts

AT THE U.N.

U.N. Plays Down Missed Sarajevo Meeting

By BARBARA CROSSETTE

UNITED NATIONS, Dec. 1 — A staff error in Sarajevo may have kept Secretary General Boutros Boutros-Ghali from meeting the Bosnian Serb leader on Wednesday, United Nations officials said today. They said staff members apparently had not confirmed with the Serbs that Sarajevo airport, the site chosen, was acceptable.

But some diplomats said this sounded like a search for scapegoats after an embarrassment.

United Nations officials also repeated that no ultimatums had been delivered by Mr. Boutros-Ghali. During his visit there were reports that the Secretary General had threatened to withdraw the United Nations Protection Force if the warring sides did not agree to a cease-fire and to cooperate with peacekeeping troops.

"I question anybody, even the Secretary General, arrogating to themselves the right to talk about withdrawal when this is a sovereign issue of the Security Council," Razali Ismail, Malaysia's chief delegate, said today. Malaysia, which has troops in Bosnia, has strongly defended the Council's prerogative to decide when and where forces are deployed.

Mr. Razali, reflecting the views of other Muslim and non-European envoys, also said that the Council has the duty to maintain a force in Bosnia based on numerous resolutions and that the force, known as Unprofor, should be reconstituted at once if the largest donors, Britain and France, withdraw.

"The participation of the European countries does not make Unprofor," he said. "There are other members of the U.N. who can constitute the force. And the notion around here that these can't be Muslim countries is an insult to them and their loyalty to the United Nations."

British and French diplomats say there are no plans to pull out troops, though the possibility has always been present. The Council does not have to take up the issue formally until Jan. 10, when the mandate for the force comes up for renewal.

"He has no right to deliver an ultimatum," Joe Sills, the Secretary General's spokesman, said today. "He made it very clear that it's in the hands of the council as to what the future of Unprofor should be."

The aborted meeting Wednesday between the Secretary General and the Serbian leader, Radovan Karadzic, had been interpreted as either a deliberate snub by Mr. Karadzic or the result of inflexibility by Mr. Boutros-Ghali about the location of the meeting. The Serbs demanded that the meeting take place on Serb-controlled territory; the airport is on neutral ground.

The New York Times

Moscow Eases Ultimatum to Caucasus Rebels

GROZNY, Russia, Dec. 1 (AP) — Moscow backed off today from a threat to send troops into Chechnya, a breakaway republic whose leaders continued to defy a Russian ultimatum and called on armed volunteers to defend the capital against rebel forces.

Air attacks continued on the outskirts of Grozny, the capital, claiming at least six lives, hospital officials said. A Russian delegation arrived from Moscow and began talks with local officials.

President Boris N. Yeltsin of Russia had threatened on Tuesday to impose a state of emergency in Chechnya if the two sides did not surrender prisoners and stop fighting by this morning. Neither side complied.

Residents continued to flee this mainly Muslim city of 300,000 people in the Caucasus Mountains. Grozny has become a war zone between forces loyal to Chechnya's President, Dzhokhar Dudayev, who declared independence from Moscow in 1991, and rebels trying to topple him.

President Dudayev's office issued an altered text of the ultimatum, saying "there was some disagreement in the media in interpreting certain clauses." The new document made no reference to a state of emergency. Trying a different tack, Mr. Yeltsin also offered limited amnesty to Chechens who "voluntarily lay down arms by Dec. 15."

In another sign of Russia's desire to avoid direct confrontation, Defense Minister Pavel S. Grachev told reporters in Moscow that some Russian soldiers who had "carried out certain military tasks for material compensation" from forces fighting Chechnya's President had been brought back to central Russia, and more would be evacuated. He insisted the soldiers were volunteers and were not in Chechnya on army orders.

General Dudayev's government captured up to 70 Russians in fighting last weekend and said some were Russian Army officers and soldiers. Chechen officials initially threatened to execute them, but General Dudayev said today that they would be tried in court.

As the fighting continued today, a small military air base near Grozny was hit in an air raid. The Itar-Tass news agency said two women were killed and fuel depots were burning. Missiles hit a residential district at Katayama, about 12 miles from town, said Aslanbek Otsalayev, the duty surgeon at Grozny's main hospital, killing four people, including a 1-year-old child.

In Freedom Square outside General Dudayev's offices, several hundred volunteer fighters cradling Kalashnikov rifles and grenade launchers gathered today. Chechen elders in tall fur hats, tunics and high leather boots danced in a circle, chanting, "Freedom or death!"

THE NEW YORK TIMES, FRIDAY, DECEMBER 2, 1994
Adversarial Allies: Sparring Over Bosnia and NATO Membership

By CRAIG R. WHITNEY
Special to The New York Times

BRUSSELS, Dec. 1 — At the root of the problems within the Atlantic alliance over Bosnia is a growing tendency among the Europeans to take a different view of their security needs than the United States does, something that rarely happened during the cold war.

One thing allied foreign ministers all agreed on at NATO’s fall meeting today was that Bosnia had been a failure that must never be repeated. But the Clinton Administration still views Bosnia as a problem for Europeans, not for Americans. Europeans, for their part, are still skeptical of American reliance on air power to stop Serbian attacks, and the United States has apparently given up trying to convince them.

Let’s get it behind us, the allies seemed to say today, though the differences remain. “The importance of today’s meeting is that NATO is going to make itself relevant to the future,” Secretary of State Warren Christopher said.

Even on this fundamental level there were important disagreements over how fast the alliance should accept applications from Eastern European nations. When the Clinton Administration made clear last month that it was ready to move ahead on new members, the allies warned that going too fast could leave Russia feeling threatened. A year ago it was the other way around: Washington was more worried about Russia’s feelings than the Europeans were.

For 40 years Europeans and Americans had the same analysis of the Soviet threat. “For 40 years Europeans and Americans had the same analysis of what the security threat to all of them was,” said Dr. John Chipman, director of the International Institute of Security Studies in London. “Now that the Soviet Union is gone, they disagree not only about what to do in the former Yugoslavia, but what the nature of the threat is.”

A certain nostalgia for a clear-cut Soviet threat.

Lifting it now would probably make the situation even worse,” Mr. Kinkel said, repeating a widely held European view.

The broader issue, though, is whether an alliance whose partners do not agree on the threat itself will long have a persuasive reason for being.

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At first, Germany and France tried to persuade the United States not to set a schedule, but Secretary Christopher finally persuaded the Germans that if they did not set a date, Republicans in the majority in the new United States Congress could try to impose one.

“The will present the results of our deliberations to interested partners prior to our next meeting in Brussels,” the foreign ministers finally agreed. That will not be until the end of 1995, but even that faraway day was enough to upset Mr. Kozyrev.

American officials said tonight that the British had been the biggest European supporters of the expansion plan. But Britain and France have been the countries most at odds with Washington over bombing Serbs in Bosnia, because they feared retaliation against the nearly 10,000 peacekeepers they have provided there.

For France and even for Chancellor Helmut Kohl, who is eager to dispell French fears about the reunited Germany and keep moving toward European unity, NATO does not rule out a separate European defense identity — one the French have pursued on their own for years.

Many Germans, used to relying on more than 300,000 American troops in their country to protect it from Soviet attack during the cold war, worry that future administrations may not honor the Clinton Administration’s pledge to keep at least 100,000 there after next year.

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Paris Meeting Backs U.N. Program to Combat AIDS

By ALAN RIDING
Special to The New York Times

PARIS, Dec. 1 — Recognizing that the global fight against AIDS has so far been largely ineffective, 42 countries pledged today to throw their political weight behind a new United Nations program to step up prevention campaigns and to fight discrimination against victims of the disease.

At a so-called Paris AIDS summit that coincided with World AIDS Day, a dozen prime ministers and other senior government officials also agreed to work more closely with AIDS victims and carriers of the human immunodeficiency virus, who in the past have often complained that their opinions and experience were ignored.

Yolanda Simon, an H.I.V. carrier from the Caribbean, spoke to delegates today. "We're tired of the lip service we feel you have been paying to our communities," she said. "Why must there always be confrontation between us? Why not work in a spirit of partnership?"

Outside the conference hall, there were also signs of skepticism that today's meeting could make much difference. About 50 members of the militant group Act Up blocked traffic along the Champs-Elysées this morning to protest the gathering. Spokesmen for other groups expressed similar doubts.

But the chief American delegate, Donna E. Shalala, Secretary of Health and Human Services, said the meeting had placed the AIDS crisis "higher on the world agenda." She added: "We're talking about a whole new partnership with non-governmental organizations and with people with AIDS."

In her address, she stressed that fundamental human rights were at stake. "The battle against AIDS is also a battle against racism, sexism and homophobia," she said. "As leaders, we must fight to protect the rights of people with H.I.V. and AIDS while we fight against the virus that is killing them."

Richard Bursynski of the International Council of AIDS Service Organizations, who also spoke at today's meeting, denounced laws denying H.I.V. carriers the freedom to cross borders. "This means that laws which criminalize or discriminate against homosexuals, drug users, migrants, refugees and sex workers must be abolished," he said.

This position was echoed in a final declaration today that emphasized the legal and social rights of those with AIDS to equal protection under the law with regard to access to health care, employment, education, travel, housing and social welfare.

The United States is among a score of countries that restrict the entry of AIDS victims or carriers of H.I.V. Inaugurating today's meeting, Prime Minister Édouard Balladur of France said, "It would be an illusion to think that certain countries can protect themselves alone by closing their borders."

Prominent in the action plan adopted today was recognition of the special vulnerability of women to AIDS and the need to eliminate adverse social, economic and cultural factors weakening prevention programs. "The pandemic is now spreading faster among women," Hiroshi Nakajima, Director General of the World Health Organization, warned.

The main thrust of today's declaration, though, was for governments to recognize their political responsibility to fight AIDS and to work more closely with one another as well as with a new United Nations program that for the first time aims to coordinate the activities of all international bodies.

But in a pessimistic review of global efforts to date, the United Nations Secretary General Boutros Boutros-Ghali, asked, "Why has our mobilization against AIDS borne so little fruit?" All too often, he said, there has been no linkage between global and national strategies, and at times there has even been rivalry.

"Given this situation, it is essential that we rethink our action and improve our coordination," he said. "So I am issuing a general call to arms. We are not meeting here in Paris simply to issue a further warning, but to declare a planetary emergency."

Noting that 17 million people have so far been infected by H.I.V., he said that "the poorest people in the poorest countries were the disease's natural targets, with 70 percent of the world's infected people living in sub-Saharan Africa. "There is thus an obvious correlation between AIDS and underdevelopment," he added.
By DONATELLA LORCH
Special to The New York Times

KATALE, Zaire, Dec. 1 — As many as 30,000 Rwandan refugees, walking silently in the rain, lined the roads for miles here today, carrying bundles of wood and whatever belongings they had managed to gather as Zairian soldiers forced them to leave their impromptu encampments and return to refugee centers. This forced mobilization began a few days ago, partly to give the Zairians more control over the refugees and partly to harass them, perhaps convincing them to go back to Rwanda, which they fled last summer as rebel forces ousted the government and its army.

United Nations officials said the move would not only severely strain relief agencies but also increase the already unstable and tense relations between the Zairians and the refugees.

Relief and United Nations officials said this latest move underscored two developments here: the growing impatience of Zairian authorities with the estimated 500,000 Rwandans living in camps near Goma and the danger from increased aggressiveness by the poorly paid and undisciplined soldiers, who regularly beat, harass and steal from refugees.

"On the Zairian side, they are fed up with the refugees," said Joel Boutroue, head of the United Nations Refugee Office in Goma. "They want them back in Rwanda. They want pressure on Rwanda, on the international community, on the refugees."

Less than a week ago, Zairian soldiers searching for Rwandans accused of stealing, opened fire on some refugees, killing and wounding more than a hundred in and near Katale camp, about 30 miles northeast of Goma. Zairian soldiers looted three houses belonging to international relief agencies, taking even the doors, windows and bathroom fixtures, relief officials say.

The next day Zairian authorities deported 37 people to Rwanda, claiming they were all Rwandans who had been involved in recent crimes in Katale. United Nations officials say the reasons given to them for the expulsion were hazy. They have protested to Zairian authorities that six of the men are in fact Zairians and all of them had been imprisoned for months and could not have been involved in any recent crimes in Katale.

With no international force on the ground to help police the camps, officials of the United Nations High Commissioner for Refugees can do little else but protest by letter to the Zairians, it has decreased in the camps between the refugees and the Rwandan militias. These militia groups, who have spread fear among the refugees that they may be killed if they return home, appear to be laying low as officials of the former Rwandan Hutu-dominated Government try to project a more moderate image with the international community.

German Bomber Is Freed

BERLIN, Dec. 1 — A German woman who was sentenced to life in prison for a 1972 bomb attack that killed three American soldiers was freed today after serving 22 years.

The prisoner, Irmgard Müller, 47, was a member of the Red Army Faction when she took part in the attack against a United States military headquarters in Heidelberg:

"[In Washington, the State Department said it was] 'disappointed that an unrepentant terrorist who murdered three U.S. soldiers has been freed from prison.'"

"It's all still a bit unreal," Miss Möller told about 150 reporters and supporters outside the jail in the northern city of Lübeck.
In India's City of Death, Time Has Healed Little

By SANJOY HAZARIKA
Special to The New York Times

BHOPAL, India — Ten years after a blanket of lethal gases from a Union Carbide pesticide plant swamped this central Indian city as it slept, Ram Singh Thakur, a former drugstore clerk, lies on a mattress on the floor of his shack just outside the plant.

Until a few years ago, Mr. Thakur, 64, was an outspoken community leader. Now, partly paralyzed after a stroke, he is unable to work or to walk. "Nothing seems to help," he said, his voice slurred.

Like most other victims of the Bhopal disaster, which began on Dec. 3, 1984, Mr. Thakur has not yet received compensation from Union Carbide because of legal wrangling, much of it over whether ailments like Mr. Thakur's stroke were caused by the gas leak.

Thousands of victims stand in long lines every day at Government and private clinics, seeking tablets, injections and syrups that will ease ailments that range from psychiatric problems to lung infections and eye problems.

And while the compensation fund set aside by the company has crossed the half billion dollar mark, only a tiny percentage of the money has reached the victims.

Even the cause of the gas leak remains a source of sharp disagreement. The Indian Government, non-governmental groups and editors say that Union Carbide's negligence and poor management are to blame. Union Carbide has long maintained that the disaster was caused by an act of sabotage by a disgruntled plant worker whom it has never identified.

Delays and wrangling are not uncommon in disasters of this magnitude, which often take years to be resolved, whether they involve asbestos victims in the United States or people poisoned by mercury in Japan.

But the management of the Bhopal disaster, the world's worst industrial catastrophe, has been slowed by confusion, allegations of corruption and legal challenges by individuals and groups dissatisfied with the sums paid out.

Despite the continuing problems, Bhopal throbs with life. The narrow lanes of the old quarter are crowded with vehicles and people, visitors boat on the city's lakes and restaurants and markets remain open late at night.

In the neighborhoods near the plant, residents have taken advantage of Government grants and loans to replace wooden huts with brick buildings and to buy television sets and motorcycles. Some survivors have moved to new two-room apartments built by the Government on the edge of the city.

Four hospitals have been built at a cost of more than $10 million. When Union Carbide recently sold its 50.9 percent stake in its Indian subsidiary to the Magor industrial group in India, it set aside the equivalent of $40 million for another hospital and for long-term medical research and treatment of the victims.

But no antidote has been found for exposure to the toxic methyl isocyanate that spewed out of the factory that day, and with thousands of people still suffering from illnesses caused by the leak, compensation largely unresolved the city's wounds remain unhealed.

"There is a false sense of prosperity, of normalcy," said Jabbar Khan, a leader of the Gas Survivors Forum, which has campaigned on issues of health care and compensation. "There are many who believe that funding from the Government comes to renew Bhopal has been misused."

Nearly half a million people in Bhopal receive this interim relief, which is to stop when victims receive compensation.

Union Carbide made a payment of $70 million in 1989 to compensate victims. The funds were frozen after legal challenges by activists groups. With accrued interest, they have grown to about $300 million.

Not only has the compensation process been slow, but advocates for the victims say that profit-seekers have become involved, promising higher payments if they are paid a fee. One judge has been suspended on corruption charges and accusations against three others are being investigated.

The 38 courts handling compensation cases began issuing rulings last year, and they have ordered payments of $110 million in 139,000 cases, with more than 300,000 cases to go. About one-fifth of the money went to relatives of 6,894 people officially listed as having been killed by the leak, and the rest to surviving victims.

But senior medical specialists complained that many claims of death and serious injury were based on false documents. In May, after a flood of complaints, Justice Abdul Gayoom Qureshi, who supervises the payment of compensation, blocked payments in the higher-compensation cases, from $1,600 to $10,000. He instructed the judges to adjudicate only minor injury cases.

Mohammad Akram, who works at a furniture store, was 12 when his father, a truck driver, died in the gas disaster. In October, his family received the equivalent of $5,000, which was divided among his mother and seven siblings.

The money has been deposited in a bank and can be withdrawn only after three years. The family members can collect the interest every month, Mr. Akram said.

There are many who believe that if the payments had begun coming into the city years ago, life in Bhopal today could have been far less painful.

"All these efforts are ad hoc," said Mahesh Bich, a prominent environmentalist and town planner. "There has been no productive use of the millions of dollars flowing in.

"What is tragic," he said, "is that a chance to renew Bhopal has been missed."

Company News: Tuesday through Saturday, Business Day
Abroad at Home

Shame, Eternal Shame

BOSTON

Anyone who did not grasp the meaning of what is happening in Bosnia need only have looked at the newspaper picture this week of a Bosnian Government soldier taken prisoner by the Serbs at Bihac. They made him wear a fez, mocking his Muslim religion, as the Nazis made Jews wear a yellow star.

How did it happen that, 50 years after the Nazis, human beings are being humiliated and killed in Europe because of their religion? All of us in what we like to think of as the civilized West share the shame.

The crucial moment came after Yugoslavia began to split apart in 1991. Slboodan Milosevic of Serbia sent the federal army into Croatia, destroying Vukovar as totally as the Romans did Carthage. What would the great Western alliance do about this menacing violation of Europe's peace?

George Bush, the leader of the alliance, made the decision: to do nothing. Why he was so craven remains a mystery. He had just come out of the Persian Gulf war a hero, the man who said Iraq's aggression "will not stand" and acted on that vow.

The fall of Prime Minister Margaret Thatcher may well have made the difference. She had goaded him into action against Iraq, telling him: "Don't go all wobbly on us, George." Her successor, John Major, had jelly in his spine.

In 1992 the Serbs began their onslaught on Bosnia: the first explicit religious-nationalist aggression in Europe since the Nazis. They drove two million Bosniaks from their homes and killed hundreds of thousands. They burned villages and blew up mosques.

The Western alliance still responded with inaction. In fact it was worse than inaction. Western countries recognized Bosnia but then enforced an arms embargo that denied it the means to defend itself.

Worse still — for worse — the West left the victims to believe it would come to their rescue. That was only to be expected, the West having left them defenseless against a cruel aggression. But no gallant rescuers appeared.

Instead, NATO shocked the problem off the United Nations. A U.N. Protection Force was sent to Bosnia to get relief to areas besieged by the Serbs. But the force became a playing-thing of the Serbs; it cringingly followed orders of Serbian command ers.

The Unprofor commander, Lieut. Gen. Sir Michael Rose, is a symbol of the sellout. On television this week he spoke of the wonders he had done for Bosnia — among other things saving Gorazde from Serbian as sault. In fact he long resisted doing anything about Gorazde. And he has done little but whimper in recent days as the Serbs have taken hundreds of his men as hostages.

The one time the Serbs really backed off was when the market-place massacre in Sarajevo shamed the West into a meaningful threat of bombing. The Serbs believed it. After that, right through the Bihac disaster, General Rose and others blocked the use of meaningful air power.

The British and French were the backers. Britain especially: its per formance in the destruction of Bosnia has brought back to life perdigious Albion.

The Clinton Administration has done its part in the disaster, too. Its huffing and puffing prolonged the pretense that someone might actually rescue Bosnia — prolonged the agony. President Clinton did not have the will to lead the alliance to a genuine resistance against the Serbian aggression.

Now it is time for the charade to end. The West has only two honorable courses: (1) Get the U.N. force out, despite all the risk that entails for trapped Bosniaks this winter, and undertake systematic bombing of Serbian Serb military installations; or (2) tell the Bosniaks that we are not going to lead them on anymore, they have to settle for what they can get, and we shall then help to make their rump country viable.

It is an appalling choice. But that is what has been left us by the weak­nesses that began with President Bush's decision to do nothing.

"This should have been dealt with two years ago," Margaret Thatcher said this week. That it was not may prove to be the undoing of more than Bosnia.
By David McCullough

T

A Touch of Harry in the Night

By David McCullough

WEST Tisbury, Mass.,
he similarities be­
 tween the Republican
 triumph on Nov. 8 and
 the Congressional
 elections of 1946 are,
 understandably, the
 subject of great interest. Not only
did the Republicans win the House
and Senate by substantial majorities
in both cases, recovering power af­
ter years of unbroken Democratic
control, but the Democrat in the
White House was humiliated, both at
the polls and by the withering invic­
tive of the campaign.

And although the incoming Speak­
er of the House in 1946, Joseph W.
Martin Jr., had none of the fire of a
New Gingrich, he and the Republi­
cans and Southern Democrats who
dominated Capitol Hill felt they had
a mandate to cut into the power of
the President of purpose and determina­
tion.

Can Clinton be Truman?

He was called stupid, corny, and, like
Bill Clinton, a small-bore provincial
pol who was too eager to please
everybody.

The Democrats were mortified. Lib­erals complained that he was too con­servative, conservatives that he was
too liberal. When he returned to
Washington after losing in Missouri,
Dean Acheson, the Assistant Secre­
tary of State, was the only Adminis­
tration figure that even bothered to
go to Union Station to welcome him.

But what is more interesting is what
happened next: how Truman responded.
Downcast he was not. Reputation seemed to liberate him; he
began to look and sound like a
President of purpose and determina­
tion.

He stood behind his nominee for
head of the Atomic Energy Commis­
sion, David Lilienthal, who was ac­
cused of having Communist ties by
the vituperative Senator Kenneth
McKellar, Democrat of Tennessee.
Truman took on and bested John L.
Lewis, head of the United Mine
Workers. He put a balcony on the
White House so that he and his wife,
Ann, could enjoy outdoor events and
let the critics rant as they would.

In one of his wisest moves he named
Gen. George C. Marshall as Secre­
tary of State.

It was after the 1946 election, when
the Truman Presidency should have
been in sorry eclipse, that most of his
landmark achievements came to pass — the Truman Doctrine, the
Marshall Plan, the first civil rights
message ever sent to Congress, the
executive order to desegregate the
armed forces, the recognition of Is­
rael, the Berlin airlift.

The courage he is so widely re­
membered for was mainly the cour­
age of his convictions. Warned by
Southern Democrats and old friends
back home that his civil rights pro­
els were going to lose him con­
siderable political capital, Truman responded that if he lost
because of civil rights, then his fail­
sure would be in a good cause.

He was the sudden withdrawal of Brit­
ish support from Greece and Turkey
in 1947 that led to the Truman Doc­
tone, the Soviet blockade of Berlin in
June 1948 that inspired the airlift.

Shakespeare's "Henry V," where
the King — Harry — walks among
the dispirited, terrified troops in the
dark of night before the Battle of
Agincourt — "every wretch, pining
and pale before, Beholding him,
plucks comfort from his looks... His
liberal eye doth give to every one...

A little touch of Harry in the night."

Truman had little capacity to
move an audience as could Franklin
D. Roosevelt (or for that matter, Bill
Clinton). Nonetheless, on the night of
July 15, 1948, in a sweltering Phila­
delphia auditorium, wearing a snowy
"ice cream suit," he walked onto a
floodlit stage and brought a
weary, dispirited Democratic Na­
party to its feet cheering,
as no one had thought possible.
I will win this election and make
these Republicans like it — don't you
forget that," he said, his hands chop­
ing the air. Although several factors
aided his upset victory that November — including his lackluster opponent,
Thomas E. Dewey, and a strong voter
allegiance to the New Deal — it was
Truman himself, the kind of person he
was, that mattered most.

And in one of his wisest moves he
decided if he knew what it entails,
he could conduct himself.

Yet those around him heard none of
this, no complaints, no win­
in.

Dean Acheson later said it was the
"life force" in Truman that so
amazed them all — "his strongest,
most inspiring quality, and always in
the darkest, most difficult times."

Acheson recalled the lines from
Shakespeare's "Henry V," where
the King — Harry — walks among
his dispirited, terrified troops in the
dark of night before the Battle of
Agincourt — "every wretch, pining
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And in one of his wisest moves he
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he could conduct himself.
Never Brawl With the Democrats

By Robert J. Donovan

FALLS CHURCH, Va., Dec. 2—What it cost between Joseph W. Martin Jr., the last Republican Speaker of the House in 40 years, and Newt Gingrich, the next one, will be astounding.

Brawling with Democrats in the House, Joe Martin observed, "would not have advanced the interests of the Republican Party by one iota." He never would have dreamed of saying that Truman Democrats were not normal Americans.

"My mother taught me as a child not to bear grudges, and this is a lesson I have lived by," Martin said. He lived by it so well that he set a standard that Mr. Gingrich will have difficulty matching in today's steamy politics.

With all his decibels, Mr. Gingrich cannot make himself more of a Republican than Martin was. Martin, probably the only House Speaker who ever talked in a brogue, recalled: "I came to Congress eager to promote the welfare of the Republican Party. To me that was synonymous with promoting the national welfare."

In 1896 as a boy in his native North Attleboro, Mass., Martin marched in a torchlight parade for William McKinley. He served in the Massachusetts Legislature with Calvin Coolidge, and their friendship endured through Coolidge's years in the White House.

Entering the 69th Congress in 1925, Martin cast his first vote for the election of Nicholas Longworth, husband of Theodore Roosevelt's daughter, Alice, as Speaker.

Martin became one of the unreconstructed opponents of the New Deal, yet over the years he engaged in friendly repartee with Franklin D. Roosevelt. When the President returned from wartime conferences in Cairo and Teheran, he invited Martin and other leaders to the White House to brief them. Roosevelt was still dressed in a blue plaid shirt he had worn while traveling and feigned surprise that he was even allowed in the White House.

"How did you get in here, Joe?" he asked.

"Oh that was easy, Mr. President," Martin replied. "I didn't have a shirt like that, so I used my Elks card." Martin was Speaker of the 80th Congress, 1947-48, the one President Harry S. Truman merrily but unfairly tarred as "do nothing." He was also Speaker of the 83d Congress, 1953-54, the opening years of the Eisenhower Administration. Both times, Martin and Speaker Sam Rayburn, a Democrat, had to make way for one another. Their personal friendship, however, was a celebrated one.

Perhaps the most dramatic event in Martin's political life came when, as Republican leader, he turned out to be a catalyst in the firing of Gen. Douglas A. MacArthur.

In 1950, Communist China entered the Korean War on the side of North Korea. MacArthur, embittered by the Chinese Nationalists on Taiwan (then Formosa) against mainland China. Fearing a world war in which the Soviet Union would be allied with China, Truman rejected both recommendations. MacArthur made his disagreement with Truman public.

Martin made a speech urging the use of Chiang's troops and sent a copy to MacArthur, an old, admired friend, soliciting his comment. MacArthur wrote back that the use of Nationalist troops was logical and in the American tradition of "meeting force with maximum counterforce." The general also said, "There is no substitute for victory," but did not designate the reply as confidential.

Martin knew that publication of a letter from the military commander to the leader of the political opposition criticizing the Commander in Chief would cause havoc. In his own foreboding over developments in the Far East, Martin read the letter in the House on April 5, 1951.

Instead of exploding, the White House lapsed into silence. Truman asked. "Who?" Martin asked.

"Vendell Vilkio," the man said, with an accent.

"Spell it," Martin demanded.

Newt Gingrich will be hard put to produce such thunderous laughter at any Republican gathering as Martin did that night in Philadelphia.

Robert J. Donovan is co-author of the memoirs of Joseph W. Martin Jr., "My First 50 Years in Politics."
System Support

By David Jarmul

Electronic "chat groups" on the Internet have become so popular that you'd expect more and more politicians to take part in them. Imagine the strategy session, for instance, that might have taken place before the recent election:

I got bounced from the system. Trying to get back in. Advice?

mbarry@washingt.dc

Try keys on right. Check menu.

ollie@ultrarig.wacko

Did someone say menu?

teddy@dynasty.mass

To get back into system, log in remotely as outsider.

tfoleyc@Other.wash.not.dc

David Jarmul is a science writer.

Suggest you check the parent file.

JEB@la.gov

Maybe you have vaporware.

huffing@calif.omm.mmm.mmm

That could be the problem. Am working with demo version.

mbarry@washingt.dc

Demo version is corrupted. Try new software: republ 94.0.

bdole@senate.gov

Bdole is right. Also check if you need new speaker.

newt@bulldogs.ga

Make sure the file is convertible.

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The Term-Limits Shakes

There is plenty of term-limits action in Washington this week, both before the Supreme Court and within the new Republican majority on Capitol Hill. Advocates of term limits are hoping the Court will ignore the Constitution and allow states to decide how long members of Congress can serve.

As Justice Antonin Scalia has noted, the Framers determined to impose them, there is little doubt of the Framers' intent or of the constitutional basis for the limits they imposed.

The limits were put into the G.O.P.'s "Contract with America" as a vote-getting tactic. Now that they have control of Congress, the Republicans are not eager to pack their bags and head for home. The columnists Robert Novak, who knows his right-wingers, lists three top House leaders — Representatives Newt Gingrich, Dick Armey and Bill McCollum — as soft on term limits. Two more G.O.P. leaders, Representatives Henry Hyde and John Kasich, are listed as outright opponents.

With the Republicans having second thoughts, a reasonable ruling from the Court in an Arkansas case will give the nation a chance to avoid a damaging and unnecessary change. The election shows how effectively voters can change the political balance under the existing rules.

This page has long opposed term limits as an unjustifiable infringement on the voters' right to choose the best candidate. But if the Court determined to impose them, there is little doubt of the best way to do it. The limits should be set by a constitutional amendment that applies nationwide, not by a ruse and found that kicking a candidate off the ballot on grounds of incumbency is realistically the same as disqualifying the candidate for office.

Our own reading of Tuesday's arguments in the Arkansas term-limits case is that the states do not, in fact, have the power to set term limits for the national legislature.

For one thing, the argument of term-limits supporters that the Founding Fathers envisioned a Congress of short-time citizen legislators rather than careerists rang hollow. The Framers imposed no term limits of their own and purposely held state limits power under the 10th Amendment, which reserves "to the states respectively, or to the people" powers otherwise not mentioned in the Constitution. The Constitution has spoken on the subject, specifying only three qualifications for Congress: age, citizenship and state residency. The high court itself has held that neither house of Congress may add to those qualifications, and it is equally barren the claim that states hold the term-limits power under the 10th Amendment, which reserves "to the states respectively, or to the people" powers otherwise not mentioned in the Constitution.

Endgame in Bosnia

With Serbian forces advancing without restraint, European and American diplomats in headlong retreat from their own peace plan and the U.N. threatening to withdraw its peacekeepers, the prolonged dismemberment of Bosnia is moving into its endgame. Washington cannot, especially at this late date, unilaterally rescue Bosnia from its unhappy fate. Neither is it obliged to lean on the Bosnians to accept Serbian terms in order to end the fighting.

But what the Clinton Administration can and must do is to try to please everybody at once and thereby begin talking bluntly and honestly — to the Bosnians, the Serbs, the allies and the American people. That is something the Administration has so far spectacularly failed to do. The last few days have been the worst, with the White House, the State Department and the Pentagon speaking with three discordant voices.

The Administration must begin by making sure the Bosnian Government is under no illusion that NATO, the United States or the Republican Party is going to rescue them from the militarily superior Serbian forces. If the Bosnians prefer to keep fighting rather than freeze current front lines in place, that is their right, but they will fight alone. They do not even seem to know that the U.S. can get the international arms embargo lifted to equalize the sides, though Washington should keep trying.

To the Serbs, the Administration should make plain that it will not go along with its allies in rewarding their attacks on civilian centers with new territorial concessions and further easing of U.N. economic sanctions. Washington probably cannot do anything to stop Europe's diplomacy of appeasement, but it can and should veto further rewards to the Serbs in the U.N., other than as part of a package deal to lift the Bosnian arms embargo.

To NATO, Washington should continue emphasizing that it will not let differences over Bosnia interfere with larger common objectives. But recognizing that there is no NATO consensus over Bosnia does not require surrendering American principles and interests to forge a false consensus, as the Administration seems inclined to do.

Washington is still formally committed to contributing ground troops to monitor a just and voluntary peace. It should make plain that no American troops are available to enforce the peace plan that Britain and France seem intent on imposing on Bosnia.

Should the Administration be so foolish as to persist down the road London and Paris are charting, the new Republican-dominated Congress should and probably will force it to reverse course, at considerable political and diplomatic cost.

To the American people, the Administration would do well to acknowledge that with Europe no longer divided into nuclear-armed blocs, the U.S. is not obliged to intervene in every conflict. Truly horrible crimes have been committed in Bosnia, mostly by the Serbs. But no compelling American security interests could have justified sending U.S. ground troops for over a year to enforce the peace plan that Britain and France seem intent on imposing on Bosnia.

The diplomatic endgame in Bosnia is likely to be as messy and amoral as what has been going on for the past three years. America's substantive role in these events, while not glorious, has been more honorable than that of most other countries. The best way to maintain that honor now is to summon the will to speak the painful truth to friend, foe and the American people.
**Absentee Support for Daschle**

By Al Kamen  
Washington Post Staff Writer

SEN. THOMAS A. DASCHLE (D-S.D.) says he's got his race with Sen. Christopher J. Dodd (D-Conn.) for minority leader all wrapped up, releasing a list of supporters who would put him over the top in today's vote. He's getting support from some pretty strange places.

Eleven Democrats who lost Senate races last month sent a letter this week to the 47 remaining Senate Democrats urging support for Daschle, saying they write "to attest to the tireless efforts he made to elect each of us."

"Having fallen short in our efforts to join you," the losers said, "we do not presume to recommend a leadership choice to those who know our party's needs in the Senate best. "We write simply to tell you that Tom Daschle was our unofficial leader . . . [and] that he was as effective as any one person could be during this very cold fall for our Party." The letter, "paid for and authorized by Friends of Bob Carr," is signed by Carr, who lost in Michigan, by losing Reps. Thomas H. Andrews (Maine), Dave McCurdy (Oklahoma) and Alan Wheat (Mo.) and by seven others who ran for open seats. No incumbents who lost signed the letter.

It's unclear how this strong show of support from Losers for Daschle is going affect the votes of Democratic senators who are up for reelection in 1996.

**On the Personnel Front**

- Post-election moves on the personnel front seem to be on hold as the White House sorts through the fallout from the voters' Nov. 8 atomic blast. There is the ever-recurring rumor that Deputy Defense Secretary John M. Deutch is headed for the CIA to replace embattled boss R. James Woolsey. Woolsey backers tout his GOP support on Capitol Hill, but it's not clear the Clintonites are enthusiastic about replacing a centrist and understood what he stands for. Woolsey was so upset he arranged a guest appearance on "Larry King Live" Wednesday night to rebut any suggestion he was criticizing Clinton and to assert again that if Americans knew Clinton was a centrist and understood what he stands for, he'd be doing better and would get reelected. He also enlisted dinner host William Safire, who has strongly backed Gergen's version.

- Clinton might do better picking a career diplomat rather than a career liberal. Also, Waihee's decision to make himself the new ambassador to Indonesia, is going to help save the Democratic president. Now that he's on the verge of walking out, his loyalty to Clinton is still suspect—as evidenced by a wildfire of White House gossip Wednesday over Gergen's comments at a dinner of former presidential speechwriters.

A Reuters news service story quoted Gergen as saying Clinton's problem has been a failure to communicate his real principles to the American people and that "nobody knows what he stands for." This was quickly interpreted inside the White House as Gergen dissing the president he serves.

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Senate Approves GATT on Big Bipartisan Vote

By Helen Dewar
Washington Post Staff Writer

The Senate yesterday gave final congressional approval to American participation in the biggest and most ambitious trade agreement in history—Joining the House in a triumphant bipartisan finale to the debilitating partisan strife of the 103rd Congress, the Senate approved President Clinton's legislation to implement the latest expansion of the General Agreement on Tariffs and Trade (GATT) by a vote of 76 to 24.

Moments before, the Senate scrawled an even more critical procedural hurdle in producing eight more than the required 60 votes to overcome objections that the agreement broke faith with farmers and their critical vote in the House. The vote on the budget waiver was 68 to 32.

Sen. Ernest F. Hollings (D-S.C.), who led opposition to the pact, had challenged the agreement on budget grounds, calling it a "budget-busting that would increase the deficit by $25 billion over the next decade. But GATT supporters argued its costs would be more than offset by revenue from economic growth stimulated by expanded exports.

The historic agreement, the product of seven years of negotiations, will create a new framework for trade around the world, lowering tariffs by one-third, bringing down costly subsidies for farm exports, strengthening protection for patents, inventions and recorded entertainment and taking the first steps toward regulating trade in services and investments. It creates a World Trade Organization to resolve disputes and enforce the rules.

The agreement will benefit U.S. manufacturers of medical instruments, farm equipment, drugs and electronic products, whose exports will no longer face other nation's tariffs. Some less-efficient smaller manufacturers of medical instruments, farm equipment, drugs and electronic products, whose exports will no longer face other nation's tariffs.

"Jobs are created by trade, not lost by trade," said Sen. Alan K. Simpson (R-Wyo.).

But opponents argued that it would encourage multinational companies to move jobs to countries that compete unfairly with low wages and widespread use of child labor, leading to job losses rather than gains, and warned that the U.S. would lose its sovereignty to a new trade bureaucracy over which it has little control.

"Just chalk me down as a protector of the economic security of our country," said Sen. Byron L. Dorgan (D-N.D.).

Thirty-six other countries have already ratified the agreement, and Treasury Secretary Lloyd Bentsen has said he anticipates that the rest will follow by Jan. 1.

The agreement appeared on the road to approval last fall until Hollings, as Commerce Committee chairman, held up action in the Senate, and Minority Whip Newt Gingrich (R-Ga.) demanded more time for Republicans to consider the complex document in the House. The result was a decision by the White House and Democratic leaders to hold a rare post-election lame-duck session to vote on the accord in a less politically charged atmosphere.

Even then, the only question was whether Senate supporters could round up the 60 votes needed for the budget waiver, with Dole seen as the key to getting them. Last week Dole endorsed the pact after waging some concessions from Clinton and then putting his prestige on the line in trying to assure a big Republican vote for the agreement.

In a poignant moment just after the vote, Dole paid a moving tribute to Mitchell and reached his hand across the aisle that separates the two parties to shake the hand of his departing colleague. During the Senate's 20 hours of debate, wavering senators gradually broke budget rules because revenue from economic growth—up to $3 for every $1 in reduced tariffs, according to U.S. Trade Representative Mickey Kantor.

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Clinton to Boost Defense $25 Billion

President Moves to Preempt Republicans on Election-Fueled Issue

By Ann Devroy and Bradley Graham

President Clinton yesterday said he would seek an additional $25 billion in Pentagon spending over the next six years, taking his first substantive initiative since Republicans won control of Congress on a platform that includes providing greater resources for the military.

Flanked in the Rose Garden by Defense Secretary William J. Perry and the Joint Chiefs of Staff, Clinton said he also would ask the new Congress to approve an emergency spending bill for more than $2 billion in fiscal 1995 to cover costs of unanticipated operations in Haiti, Bosnia, Persian Gulf and elsewhere.

The proposed boost in defense funds over the next six years will mean the Pentagon can maintain troop readiness, increase military pay and provide other "quality of life" benefits recently announced by Perry without making drastic cuts in weapons modernization programs, Pentagon officials said. White House officials did not specify where the new money would be obtained, saying more spending in other discretionary accounts would have to be reduced.

Republicans welcomed Clinton's announcement but emphasized they intend to vote additional increases in military funding and a major reordering of how defense dollars will be spent. "Recent Republican's "Contract With America" calls for in-...
Gingrich Aide Is ‘Dishonest,’ Frank Says

By Kevin Merida
Washington Post Staff Writer

Rep. Barney Frank (D-Mass.) yesterday called a top aide to Speaker-to-be Newt Gingrich a "thoroughly dishonest" for denying that Gingrich was responsible for killing an effort to eliminate a House perk in the final days before the 103rd Congress adjourned for the midterm elections.

The reference was to an amendment by Rep. Karen English (R-Ariz.) to bar House lawmakers from converting to personal use frequently-flier miles accumulated through publicly financed trips. English said in an article in The Washington Post yesterday that Gingrich objected to the inclusion of her amendment in a rule requiring the House to comply with some of the regulatory laws it imposes on the private sector.

On Wednesday, Gingrich spokesman Tony Blankley disputed English's version, saying the Democratic majority controlled which legislation was brought up for votes. But Frank said he was in Speaker Thomas S. Foley's office when a bipartisan agreement was worked out that included English's frequently-flier amendment.

Asked about the comment by Frank, Gingrich entered the meeting, "she said, ‘Let’s not do the frequently-flier thing.’ He said, ‘Well, there's a lot of bookkeeping problems and a lot of members have problems with it. Leave it out.’"

Blankley said yesterday that he called the room but added: "Barney Frank misses the point I was making. . . . The Democrats control the Rules Committee and the floor schedule and can bring anything to the floor under any rule they could construct.

Gingrich at the time was Republican whip, but his opinion carried even more weight because the House was going to pass the reforms by unanimous consent, and under House procedures any objection on the floor would have killed the package.

English's amendment was originally passed as part of a larger bipartisan bill, known as the Congressional Accountability Act, that would have applied to the House and the Senate.

But Gingrich opposed the bill in the Senate, so House leaders decided to write many of the protections into their body's rules.
Allen Seeks $2.1 Billion
In Tax Cuts

Critics Ask Where He'll Get the Money

By Donald P. Baker Washington Post Staff Writer

RICHMOND, Dec. 1—Virginia Gov. George Allen today proposed tax cuts for individuals and businesses worth about $2.1 billion over the next five years, but he didn't specify how he would pay for them while closing the state’s current deficit and spending billions on new prisons.

Three-fourths of the cuts would result from tripling the personal exemptions in the individual income tax, phased in beginning with a $200 increase next year. A family of four making $40,000 to $100,000 would save about $300 a year after the full plan is in effect.

Businesses would get a $750 million tax break through elimination of the gross receipts tax imposed by many local jurisdictions, including most in Northern Virginia. Allen would blunt the effect on the localities by covering the cost of their losses during the five-year phase-out.

Allen said he will detail how the state could afford the program at a special meeting Dec. 19, but he made it clear that reducing the size of the state's work force would be a major component. For now, he has imposed a hiring freeze and proposed spending billions on new prisons.

The idea “will be widely popular and put the Democrats in a real box,” predicted University of Virginia political scientist Larry J. Sabato.

Democrats “can either oppose it, and he uses that to elect a Republican legislature, or support it, and he gets the credit. Whether it is fiscally responsible is another question.”

For Allen, Sabato said, “it’s a no-brainer: the budget ends up in the red. And by then, he may be out of office, running for governor.”

Allen’s move would be “the mother of all unfunded mandates,” according to state Democratic Party Chairman Mark Warner, and place a significant burden on localities.

Yet Fairfax County Supervisor Robert B. Dix Jr., a Republican, said, “We’re too dependent on property taxes and they’re already too high.”

He said localities will be challenged to “be creative” in solving their problems without turning to other taxes.

“... the business community was ecstatic over Allen’s proposal. The gross receipts tax is an onerous and regressive tax,” said Joel Berk, chairman of the Fairfax County Chamber of Commerce, which joins other business groups in lobbying Allen to kill the tax. “This tax has placed Virginia at a competitive disadvantage in attracting and retaining business.”

Speaking at a news conference at the Capitol, Allen said his proposals “reflect similar commitments I have made to Virginians ... to champion the interests of working families and taxpayers ... to reduce the size and reach of government and ... to implement sound policies that will help Virginia’s economy grow and create 125,000 new job opportunities.”

The tax relief, he said, “will be particularly beneficial to hard-pressed working families with children, to businesses, especially small businesses, that are the engines of growth and job creation in our economy.”

Allen’s plan could have important political implications for the first-year Republican governor, who sees himself for a spot on a future GOP national ticket, Goldman suggested.

GOV. ALLEN’S TAX CUT PROPOSAL

Virginia Gov. George Allen released a tax cut plan that proposes to increase the personal exemptions in individual income tax over a five-year period.

TIME FRAME: Proposal phases in the exemptions. From $800 to $1,000 each on Jan. 1, to $1,200 each in 1996, to $1,600 each in 1997, to $2,000 each in 1998; to $2,400 each in 1999 (full phase-in).

EXAMPLES OF THE PROPOSAL BY HOUSEHOLD TYPE

SINGLE PARENT WITH TWO CHILDREN: With $15,000 of federal adjusted gross income, would have a 67.4% cut in taxes. In actual dollars, the person pays:

• $350 under current system.
• $114 under proposal when it’s fully phased in.

MARRIED COUPLE WITH TWO CHILDREN: With $24,000 of federal adjusted gross income, would have a 48.5% cut in taxes. In actual dollars, the couple pays:

• $660 under current system.
• $340 under proposal when it’s fully phased in.

MARRIED COUPLE WITH TWO CHILDREN: With $40,000 of federal adjusted gross income, would have a 26.8% cut in taxes. In actual dollars, the couple pays:

• $1,169 under current system.
• $581 under proposal when it’s fully phased in.

SOURCE: Office of the Governor

THE WASHINGTON POST WASHINGTON, D.C. December 2, 1994
MEXICO CITY, Dec. 1—Ernesto Zedillo Ponce de Leon, 43, a Yale-educated economist, donned the presidential sash today and called for greater attention to Mexico's poor and wholesome reform of its corruption-tainted judicial system.

With Vice President Gore and Cuban leader Fidel Castro and most other Latin American states of head in attendance at Mexico's Legislative Palace, Zedillo rapped outgoing president Carlos Salinas de Gortari and praised the advances that Salinas's six-year administration made in transforming Mexico's economy and implementing the North American Free Trade Agreement.

Zedillo's speech, along with the appointments he made to his cabinet, indicated he intends to deepen the reform process begun by Salinas—even if those reforms are opposed by factions within the ruling Institutional Revolutionary Party (PRI), which has governed the country for 65 years.

Although Zedillo praised Salinas's accomplishments, he signaled the PRI's outgoing administration, accusing it of tolerating corruption and personal enrichment by public officials, lax law enforcement and agitation of political corruption.

He devoted much of his speech to the achievements of the previous administration, he said, "are not enough. We cannot feel fully satisfied."

The overriding theme of Zedillo's speech was that most Mexicans do not feel they are receiving "fair treatment" under a political and economic system heavily weighted to favor the business elite and PRI members.

"Fair treatment means fighting monopsonistic practices, abuses and privileges. It means precise, simple regulation to prevent corruption and promote economic activity," he said, and "the capacity to defend oneself against possible abuses on the part of authorities."

At least 50 people were hurt when rock-throwing protesters and riot police clashed as more than 10,000 people protested against Zedillo and the long rule of the PRI in Mexico City, the Associated Press reported. Hundreds marched toward the palace but were stopped by police.

At the outset of his speech, Zedillo paid homage to Luis Donaldo Colosio, the PRI presidential candidate whose assassination March 23 opened the way for Zedillo's election Aug. 21.

The new president vowed to fully investigate the assassination as well as the Sept. 28 killing of PRI secretary general Jose Francisco Ruiz Massieu. "The brutal assassinations of two of Mexico's most outstanding public figures have deeply hurt our citizens, sown seeds of concern and doubt regarding some institutions and divided the people of Mexico," he said. "Thus far, the investigations have not been to the entire satisfaction of society."

In a surprise move Wednesday that signaled a major departure from his predecessors, Zedillo named an opposition party member as attorney general. Antonio Lozano Garcia, a former federal legislator representing the conservative opposition National Action Party, becomes the first opposition party member in Mexican history to occupy a cabinet position.

Leading members of the PRI, including its outgoing president, Ignacio Pichardo Pegaza, have been implicated in a conspiracy to kill Ruiz Massieu and block government investigation of it. Critics charge that the PRI's near-total control of the nation's judiciary and law-enforcement apparatus, along with a lack of any effective system of checks and balances in the PRI-controlled Congress, has enabled corrupt officials to escape justice.

A legislator, Manuel Munoz Rocha, was indicted two months ago as the mastermind of the Ruiz Massieu assassination and is now a fugitive.

Despite accusations last week by outgoing deputy attorney general Mario Ruiz Massieu, brother of the slain PRI leader, that PRI President Pichardo was involved in a conspiracy to aid Munoz's escape, Zedillo named Pichardo to his cabinet as energy secretary. He offered no explanation of his decision.

In other key moves signaling continuity of Salinas's economic agenda, Zedillo named outgoing commerce secretary Jaime Serra Puche to head the Treasury Ministry. Serra Puche and his former deputy, Herminio Blanco, were the primary Mexican negotiators of NAFTA. Blanco will now become commerce secretary. Jose Angel Gurria, Salinas's point man in renegotiating Mexico's massive foreign debt six years ago, was named foreign minister.

Zedillo pledged to use Mexico's vastly expanded international trade ties to improve the quality of life for the nation's poorest people.

"Many millions of Mexicans lack the bare essentials," he said. "Many live in a state of poverty that is a source of indignation to the nation. . . . My strongest commitment is the fight against the poverty in which millions of Mexicans live."

He blamed "conditions of deep-rooted injustice. . . . of extreme poverty and neglect" for January's peasant uprising in the southern state of Chiapas. Although no shots have been fired since a government-declared cease-fire in January, the Mexican army and the rebel Zapatista National Liberation Army remain in a state of armed confrontation. Zedillo called for "a solution that will lead us to a just, honorable and definitive peace."*

"He devoted much of his speech to growing lawlessness and violence on the streets and pledged a "profound transformation" of Mexico's justice system, starting with a constitutional amendment that he said he would submit to Congress soon. "We Mexicans need, want and demand an effective system of justice," he said. "It is in this realm where incompetence, corruption and institutional breakdowns are most common and most damaging to public security."

In contrast to Salinas's record of shunning opposition party members in his decision-making, Zedillo said he would hold a "permanent dialogue" with opposition members from across the political spectrum.

He said he would "work to place limits on campaign financing and introduce greater transparency in the funding of political parties, and other electoral reforms," and he pointedly admonished his cabinet members that "the government is not a place for amassing wealth."
Standards Panel Says Schools Fail to Make Science Exciting

By Rene Sanchez

A panel of leading scientists and science educators, unveiling the nation's first national standards for the teaching of science, criticized America's schools yesterday for failing to kindle excitement about the subject in their students.

"We're failing to communicate what science is," said Bruce Alberts, president of the National Academy of Sciences and a panel member. "We've killed all the curiosity."

The draft standards, released after more than two years of debate, urge educators to emphasize the subject much more in elementary grades and to revise how it is taught to middle and high school students.

They broadly define what "scientific literacy" should be for students by the time they reach the 4th, 8th and 12th grades, and they call on schools to emphasize hands-on instruction in science classes far more than memorization of scientific theories and terms.

The standards also ask educators to teach a variety of science subjects—such as biology, chemistry or geology—over many grade levels.

"This will take a long time and tremendous commitment," said Richard D. Klausner, chairman of the project and chief of cell biology at the National Institute of Child Health and Human Development. "We need to set a vision far from where we are now."

In recent years, several non-governmental science organizations have issued reports sharply critical of the way science is taught. The new science standards, backed by the Department of Education, are part of a larger national movement by educators to set guidelines for what students across the country should be expected to learn in a wide variety of subjects. Already, similar voluntary guidelines for state and local school districts have been established for the arts, math and most recently history.

The history standards released this fall have provoked intense debate about what aspects of American and Western history should be emphasized in classrooms. The draft science standards, however, attempt to steer clear of sensitive issues such as whether creationist beliefs held by some religions should be mentioned during lessons about evolution, the origins of life and the early development of the human species. The standards simply urge teachers to be attentive to the fact that some students could bring a creationist view to the classroom.

Alberts said that the standards panel concluded that many students have science lessons too infrequently in the early grades, and are taught the subject haphazardly or too formally in middle and high schools, in part because of pressure to test students.

"Teachers are put in an impossible situation," Alberts said. Many experts say that instead of force-feeding large numbers of facts, teachers should encourage students to experiment and discover scientific principles by pursuing their own curiosity about phenomena.

The standards call for science to be a core subject in all grades, and for students to be repeatedly exposed to different fields of science during their school careers—rather than, for example, being taught geology only in the eighth grade, or biology only in the 10th grade, then never again.

Such a change could prompt many school districts to adopt new science textbooks, but Alberts said that some publishing companies are already considering producing material that is more compatible with the standards' philosophy.

Alberts also said that science teachers must be trained much differently to make the subject a more active, engaging classroom experience for students.

"Colleges have to change. If we want teachers to teach science by inquiry, they have to be taught that way."

— Bruce Alberts, president, National Academy of Sciences

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Ready considering producing material that is more compatible with the standards' philosophy.

Bill Aldridge, executive director of the 50,000-member National Science Teachers Association, called the draft standards a "very powerful document" that ought to overhaul how science is now taught in the nation.

"It's way off track now," he said. "It's too much memorization of facts. Schools are too loaded with that."
Independent counsel Joseph E. diGenova said yesterday he would not bring criminal charges against former Bush administration officials based on the 1992 pre-election search of then-Arkansas Gov. Bill Clinton's passport files. Almost two years after he was appointed by a special three-judge panel, diGenova said, "We have completed our investigation and determined no charges will be brought against any person involved in the passport file matter.

diGenova said he was in the process of drafting the final version of his report and would submit it to the court "as quickly as possible." He refused to discuss details of his investigation. "If the court decides to release my report, it's their decision," diGenova said, "we will then hold a news conference, discuss its contents and answer all questions.

DiGenova was appointed in December 1992 by a special panel to investigate allegations that Bush administration officials illegally disseminated information from Clinton's passport files and that senior White House officials may have lied to State Department investigators about their knowledge of the search.

A senior Clinton administration official yesterday defended the U.S. nuclear accord with North Korea against bipartisan congressional criticism that it gives the communist nation too many early benefits while putting off for years the elimination of the country's capability to make nuclear arms.

Ambassador-at-Large Robert Gallucci, the accord's chief U.S. negotiator, told a Senate Foreign Relations subcommittee hearing that the accord "addresses all our concerns about North Korea's nuclear program" by immediately freezing the country's production of plutonium for weapons and eventually forcing its dismantlement of all related facilities.

But Gallucci acknowledged under questioning from several lawmakers that the two new Western-style nuclear reactors North Korea is to get as a reward for destroying its existing nuclear facilities could eventually be used by North Korea to produce more plutonium, albeit not for many years and not without substantial scientific trouble.

"There would be . . . a technical possibility" that North Korea could withdraw from the accord in around 15 years, after the two new reactors are completed, and reprocess the reenriched fuel rods to extract more plutonium for use in weapons, Gallucci said in response to questioning from Sen. Charles S. Robb (D-Va.), outgoing chairman of the East Asian and Pacific affairs subcommittee.

But Gallucci said that spent fuel from the "light water" reactors would contain dangerous radioactive isotopes, making its handling extremely difficult. He also said the reenriched fuel could not be hauled in fuel rod shipments to North Korea, leaving the country without fresh fuel to keep generating electrical power.

The discussion highlighted an aspect of the accord that was criticized by former Deputy Secretary of Defense John F.UNKERIS and other military officials. But Gallucci acknowledged that the total quantity of plutonium generated by the two new reactors would greatly exceed the amount that North Korea might have developed on its own with its existing technology and no accord.

Gallucci took pains yesterday, as he did during a White House debate about the accord, to say that the fate of the spent fuel from the two new reactors remains "open for negotiation." He indicated that Washington will seek to clarify the matter in a pending contract between North Korea and a multinational consortium that will build the reactors.

Although Gallucci did not say exactly how, other officials said that Washington will seek to get a North Korean commitment in the contract that all spent fuel from the new reactors will be reprocessed, instead of stored in North Korea.

Sen. Frank H. Murkowski (R-Alaska) also expressed concern about the agreement. But Gallucci declined to answer directly when Murkowski asked if Gary Milhollin, an independent nuclear proliferation expert, had correctly calculated that the total quantity of plutonium generated by the two new reactors would greatly exceed the amount that North Korea might have developed on its own with its existing technology and no accord.

Gallucci said, "I'm not going to be able to give you a yes or no." But he said that "the difference . . . in strategic terms isn't that much" between plutonium caches of such great size. Gallucci had previously estimated that North Korea could have used its existing technology to make enough plutonium for 30 nuclear weapons a year.

Gallucci was also questioned closely by Robb and Murkowski about why the deal with North Korea was presented in a so-called framework agreement that will not be subject to congressional approval. He said the Clinton administration "did not want a treaty" because that would have committed Washington to paying around $4 billion for the light-water reactors if South Korea and Japan reneged on their pledges to fund the project.

When Murkowski noted that President Clinton, in a letter to North Korea's likely president Kim Jong II, nonetheless promised to provide the reactors if no other nation did, Gallucci called this "a serious, important commitment" that still fell short of a legal agreement that North Korea could enforce through litigation.

U.S. Negotiator Defends N. Korea Nuclear Accord

At Hearing, Senators Express Concern About Nation's Potential to Produce More Plutonium

By R. Jeffrey Smith

WASHINGTON POST

WASHINGTON POST

JOSEPH E. DIGENOVA

Charges Against Ex-Bush Officials
In Clinton Passport Case Rejected

By Walter Pincus

WASHINGTON POST Staff Writer

JOSEPH E. DIGENOVA
GOP to Fire 1,500 on House Staff, Without Severance

By Kenneth J. Cooper
Washington Post Staff Writer

House Republicans yesterday got down to nitty-gritty personnel and management issues, announcing plans to terminate 1,500 administrative employees, deny them severance pay and consolidate several nonlegislative offices.

Most of the proposed changes still need to be ratified by the House Republican Conference, but Democrats complained that they had not been consulted about the policies.

Rep. Ben Cardin (Md.), Democratic transition leader, also took issue with GOP plans for changes in committees' sizes and party composition.

Rep. Jim Nussle (Iowa), Republican transition team leader, said the 1,500 employees would be notified of their termination by Jan. 4 but could reapply and possibly win back their jobs. The process allows Republicans to decide who fills administrative jobs and whether to eliminate positions. The affected employees work for the clerk, doorkeeper, sergeant at arms and other nonlegislative House offices.

Nussle said House Republicans do not plan to pay permanently terminated employees severance pay because the House has never done so and the indebted nation cannot afford it. He also announced that House employees who lose their jobs will not receive lump-sum payments for accrued vacation time.

The last two times that party control shifted in the Senate, the incoming majority supported resolutions that provided up to a month of severance pay to terminated employees who had not found a job and met other criteria. Such resolutions were approved in a Republican-controlled Senate in 1981 and a Democratic-controlled one in 1987.

Cardin accused Republicans of acting unilaterally and causing "major disruption" with the vacation pay policy. "It seems to me to be changing the rules to be unfair," Cardin said. He noted that committee chairmen have authority to approve lump-sum payments for committee staff.

Armed with management flowcharts, Nussle announced Republican plans to restructure administrative offices to improve upon recent "weak reforms" and create the "GOP's open House."

One change would abolish the doorkeeper's office and transfer most of its functions to the sergeant at arms office. The doorkeeper oversees cloakrooms, entrances to the House floor, pages and support offices such as the barbershop, beauty parlor and mail folding room. The sergeant at arms is the House's chief security officer and helps supervise the Capitol Police.

Nussle said Republicans also want to expand the staff of the newly named House inspector general from three to 11 in order to increase the office's auditing capacity. He said the inspector general would be authorized to report possible criminal violations by lawmakers to the Justice Department. Asked if the audit reports of various House operations would be made public, Nussle replied: "I believe that they will."

Republicans also plan to change the supervision of another recently added administrative position, the director of nonlegislative and financial services, who was intended to be a nonpartisan, professional manager of payroll, post office and other housekeeping functions. It was unclear from Nussle's responses what would happen to the committee's current oversight of House accounts and jurisdiction over campaign finance law.

Cardin, an Administration Committee member, complained that Republicans had proposed to reduce the size of committees and set party ratios of members without consulting Democrats. He called the total number of committee seats unrealistically low. "The entire scheme they came up with I find unacceptable," he said.
For House Staffers, Hard Work and High Turnover Come With the Territory

Low Pay, Long Days and Short Stays

The average House staffer is young, well-educated and, by some Washington standards, poorly paid. Most staffers leave their jobs in two years or less. Is it the money? The garret-like offices? The 14-hour days?

Maybe it’s just nature’s way. Next year, 86 new members of Congress—73 Republicans and 13 Democrats—will enter the House. At 15 staffers per office, that comes out to 1,290 men and women who will be brand new come January.

“You’re looking at an institution where some of the most influential people have frequently been in the job for less than a year,” said Richard Shapiro, executive director of the Congressional Management Foundation. “It’s clearly a problem.”

So when your representative does something really idiotic the first time he or she sets foot on the House floor, keep in mind that he or she is probably getting advice from a 28-year-old legislative assistant who has a bachelor’s degree, makes about $31,476 per year and has 1.8 years experience on the job.

These numbers come from the foundation’s new guidebook, “1994 U.S. House of Representatives Employment Practices,” released this week in time to catch the incoming class of House freshmen during orientation. The foundation, a nonprofit, non partisan organization fueled by corporate funds, studies congressional logistics and housekeeping.

The guidebook collected and analyzed data from 2,501 staffers in House members’ personal offices. The research occurred before the electorate unseated the Democrats Nov. 8, so the staffers questioned were probably under the impression that there was no earthquake on the way.

No matter. Overall, Republican staffers, including those working in Washington and in the home district, average slightly higher salaries than Democrats ($36,604 to $35,133), so pay can be expected to rise slightly with the GOP takeover. Other than that, most things will stay the same.

But not all. It turns out that 90.7 percent of black House staffers, 85.2 percent of Hispanic staffers and 72.7 percent of all other minority staffers work for Democrats. With the Republican gains in Congress, the minority presence on Capitol Hill is likely to plunge.

In general, however, for any bright, up-and-coming college graduate with a particular bias, regardless of race or sex, the House seems like it might be a nice place to visit early in a career, but you wouldn’t want to live there.

The foundation study said the average salary for Capitol Hill-based House staff is $38,807, which is 27 percent lower than the average for white-collar federal workers in the Washington area.

Move to the Senate and you do about the same on the lower rungs, but if you hang around and get promoted, things get considerably better. Average salary for House administrative assistants, the top staff job in a member’s office, is $81,166, while the same position pays $98,316 in the Senate, the foundation said.

Of course, even these salaries are not so hot when compared to the $134,552 the foundation said civilians average as heads of D.C.-area public affairs offices.

And lobbyists make an average of $81,396 compared to the $51,326 average for House legislative directors.

Women and minorities, however, do better in the House relative to the norm than their counterparts on the outside. Female House staffers make 92 percent of white staffers’ pay and Hispanics 86 percent; nationally, blacks’ salaries average 74 percent of whites, Hispanics 71 percent. But the foundation also noted that minorities have a lower number of top-paying staff positions (11.6 percent) than their representation in all staff positions (16.2 percent).

Still, there’s no shortage of good people of any kind. The foundation said 61.3 percent of House staff had at least a bachelor’s degree, considerably higher than comparable figures for all federal civilian employees (37 percent) and for the U.S. population at large (20 percent).

But they don’t stick around. Foundation figures showed 42 percent of Washington-based House staff had been in their jobs for less than one year, and 69 percent had been in their jobs for two years or less. The average age for all House staff is 31, the foundation said.

Shapiro concluded from all this that it’s all right for the incoming Republicans to talk about cutting staff and streamlining operations in order to make the House work more like private business, but “it may be hard to do” when you’re constantly having to replace one army of children with another.

PROFILE OF REPRESENTATIVES’ PERSONAL STAFF

Survey results suggest that the people who work directly for individual representatives are young and new in their jobs. The average number of staff members per office is 15: 8.5 in Washington and 6.5 in the home district.

Findings for the 3,700 staff in Washington only.

Average man

<table>
<thead>
<tr>
<th>Category</th>
<th>Age</th>
<th>Status</th>
<th>Salary</th>
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</thead>
<tbody>
<tr>
<td>31 years</td>
<td>Single</td>
<td>Earns $41,693</td>
<td></td>
</tr>
<tr>
<td>32 years</td>
<td>Single</td>
<td>Earns $36,061</td>
<td></td>
</tr>
<tr>
<td>3 years</td>
<td>in Congress</td>
<td></td>
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</tr>
</tbody>
</table>

CLOSEUP ON TENURE

More than half of House staffers have been working in their current jobs for 2 years or less.

YEARS IN CURRENT POSITION

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 to 2</td>
<td>27%</td>
</tr>
<tr>
<td>2 to 10</td>
<td>27%</td>
</tr>
<tr>
<td>10 plus</td>
<td>4%</td>
</tr>
</tbody>
</table>

Findings for 6,500 House staff, in Washington and home districts.

CLOSEUP ON DEMOGRAPHICS

The vast majority of minority staffers work for Democrats.

PERCENTAGE OF TOTAL MINORITY STAFF IN CONGRESS EMPLOYED BY PARTY

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Democrats</td>
<td>91%</td>
</tr>
<tr>
<td>Republicans</td>
<td>85%</td>
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</table>

CLOSEUP ON SALARIES

Fewer men are in the lowest salary categories...

MEN

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
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</tr>
<tr>
<td>Under $30,000</td>
<td>43%</td>
</tr>
<tr>
<td>$30,000 to $40,000</td>
<td>8%</td>
</tr>
</tbody>
</table>

WOMEN

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not set</td>
<td>48%</td>
</tr>
<tr>
<td>Under $30,000</td>
<td>50%</td>
</tr>
<tr>
<td>$30,000 to $40,000</td>
<td>2%</td>
</tr>
</tbody>
</table>

SOURCE: Congressional Management Foundation
The Federal Election Commission yesterday rejected a proposal to allow congressional candidates to pay personal expenses out of campaign funds, and it banned the use of contributions for a vast variety of other personal uses.

The six-member commission deadlocked on a proposal that backers said would make it easier for the average American to run for Congress.

Had the long-contented plan been approved, candidates would have been allowed to reimburse themselves from campaign funds in amounts up to what they had been receving in salary before deciding to run for office.

"It was not the breakthrough I was hoping for," FEC Commissioner Trevor A. Potter said after her proposal was rejected. "It may be you had too many years of people digging too deeply into their pockets." Potter had better luck later in the day, when the commission voted to ban the use of campaign funds for such non-campaign items as sports tickets, travel, meals and automobile expenses.

While leaving intact the salary ban, the commissioners voted unanimously to ban campaign spending for a vast variety of personal expenses that "would exist irrespective of the candidate's campaign or duties as a federal officeholder." Since 1979, federal law has prohibited candidates from converting their campaign funds "to any personal use." Until now, however, the FEC has never written rules defining "personal use," or any of the types of spending that fall under that prohibition. Many members of Congress have taken advantage of this loophole to use campaign money for sporting tickets, auto expenses and other personal items.

Yesterday's action outlawed use of campaign money to pay for a host of things, including household food items or supplies, mortgage or rent payments, travel expenses and automobile costs.

Using campaign money for clothing, except for items such as campaign promotional T-shirts, also was banned. So was spending for tickets to sporting events or membership fees for country clubs and health spas.

Loser Huffington Seeks Voting Fraud Evidence

Hotline Solicits Informers in California

By William Claiborne
Washington Post Staff Writer

LOS ANGELES, Dec. 1—Still clinging to the hope he can force a new election, defeated Republican Senate candidate Michael Huffington is financing a radio ad campaign asking listeners to call a toll-free "hotline" to report "suspicious activity" by illegal immigrants who may have voted in the Nov. 8 races.

"Everybody's heard stories. All we're asking is that if they have any information, tell us," said Ezell, co-author of Proposition 187, which would deny health care, education and social services to illegal immigrants.

Huffington endorsed the proposition, which passed by a wide margin in June, but which has taken a beating since then. Immigration rights advocates say the radio ads will inflame an already hostile atmosphere in California and lead to increased "scapegoating" of non-citizens.

"If there had been so much organized voter fraud, then we should have been able to defeat Proposition 187 and Pete Wilson," said Emily Goldfarb, executive director of the San Francisco-based Coalition for Immigrant and Refugee Rights, which has been at the forefront of the measure.

"We don't have a problem here." He said the alleged fraud stemmed from a "loose goose" registration system in which prospective voters mail a registration card to county registrars without having to provide identification until they vote and without having to answer questions or have the information checked for accuracy.

"Tony Miller and his people say, 'We don't have a problem here.' Well, they're the godfathers who put this system in place," Ezell said. He said the Motor Voter Registration law enacted by Congress and not yet implemented will "cast this phony registration information in stone" and should be repealed.

"Huffington is paying for the ads, but it goes beyond Huffington. It's the credibility of California's voter registration rolls that is at stake," said Ezell, who founded the pro-Proposition 187 group, named the Americans Against Illegal Immigration.

Task force member Martin Coooper said the group had compiled "anecdotal information" alleging widespread abuses, including a single-family residence in Burbank with 150 people registered to vote; another single-family residence with five postal boxes; forged signatures on absentee ballots, and political workers paying non-citizens to register and vote.

Although Ezell said his group had received more than 400 calls on the 800-FRAUD 90 line, acting Secretary of State Anthony L. Miller said, "There has not been a scintilla of evidence presented to this office with respect to illegal voting by non-citizens." Miller said he had invited the task force to present evidence of voter fraud to his office.

Ezell said his group was awaiting release of computer tapes from county registrars with names of people who voted so the information can be checked against the names of non-citizens suspected of voting illegally.

Ezell said he had better luck later in the day, when the commission voted to ban the use of campaign funds for personal expenses.

"This is a good, tight, sensible rule," Potter said. "The next stage, of course, is, 'Do we have the resources to enforce this?' But in terms of having a standard to apply, now we've finally got it."
White House Misconduct Cited In Health Care Panel Dispute
Judge Says He'll Impose Sanctions; Hearing Set Today

Associated Press

A federal judge said yesterday he found evidence of White House misconduct during the 113-year legal battle over advisory panels that met in secret to help formulate the president's health care plan.

In a seven-page ruling, U.S. District Judge Royce Lamberth said he intended to impose sanctions but did not specify what they would be.

"It appears, however, that even after May 31, 1993, various of the defendant's representatives were in violation of the 1972 Federal Advisory Committee Act, which requires open meetings and records if any members are non-government employees," the judge said.

Lamberth ordered both sides back to court today to give the government one more chance to hand over the documents.

"The defendant's basic argument is that the interdepartmental working group was formally terminated on May 31, 1993, and that it did not meet again thereafter, except for a one-time, ceremonial-type appearance on June 7 and Sept. 18," Lamberth's ruling said.

"It appears, however, that even after May 31, some documents continued to be created by members of the interdepartmental working group," he said. "Moreover, it is now clear that there are pre-May 31 documents which should have been produced which have not been produced."

Government lawyers also have conceded that they have not released electronic documents of the meetings.

"Defendant's creation of an adequate index and provision of an explanation as to the reasons why each document continues to be withheld from the public will allow the court to make an informed decision about which documents must be released to satisfy the court that this case is now moot," the ruling said.

If Lamberth rejects the government's request to declare the case moot, it will proceed to trial Dec. 14.

Cardin and other Democrats also have accused White House aide Ira Magaziner of lying in a March 1993 affidavit when he said all members of the working group were either government employees or could be considered as such. They have asked Lamberth to declare him in contempt of court.

Government lawyers said Magaziner's statement was true at the time.

A federal appeals court ruled last year that the working groups may be subject to the 1972 Federal Advisory Committee Act, which requires open meetings and records if any members are non-government employees.

CORRECTIONS

The name of Philip Gordan, director of the National Institute of Diabe tes and Digestive and Kidney Diseases, was misspelled yesterday in an article about an obesity gene.

An article yesterday about AIDS in the District incorrectly described the winner of a city-run contract to run an AIDS media campaign as a non-profit group. Koba Associates is a for-profit consulting firm that focuses on health care, including AIDS and substance abuse.

Two items listed in the Community Events calendar in yesterday's Virginiaia Weeklies were in error. There will be two, not one, Reston Holiday Chorale Concert performances Saturday at 6 p.m. and 8 p.m. and a storytelling event at Alexandria's Black History Resource Center listed for next week will be held Dec. 14.
By Peter Behr
Washington Post Staff Writer

For all its mind-numbing details, the new framework for global trade approved by the Senate last night may be among the most important legislative verdicts of this decade—decisively shaping the United States' relationship with the world in the 21st century.

The new rules expanding the 47-year-old General Agreement on Tariffs and Trade mark a political commitment to a worldwide system of open trade and a rejection of the protectionist pressures that developed in the United States in the past decade of growing international economic competition.

A symbol of this empire of open commerce will be the World Trade Organization, a supranational body that will have unprecedented powers to arbitrate disputes among GATT's 124 member nations.

There will be immediate winners, including U.S. manufacturers of medical instruments, farm equipment, drugs and electronic products, whose exports will benefit most from immediate reductions in other nations' tariffs, products, whose exports will benefit most from increased imports resulting from the lowering of U.S. trade barriers.

The new rules will lower tariffs worldwide by one-third, begin the reduction in costly subsidies for farm exports, strengthen protection for patents, inventions and recorded entertainment and take the first steps toward regulating trade in services and investment.

In its most controversial role, the WTO will appoint panels of experts to arbitrate trade disputes—a power that triggered an impassioned debate in this country over whether the WTO posed a threat to U.S. sovereignty. WTO members will soon be caught up in arguments over the new trade agenda, including the protection of the environment and workers' rights and demands for greater public access to the trade bureaucrats' closed-door decision-making.

The Clinton administration wants the WTO's first director-general to be an old ally, former Mexican president Carlos Salinas de Gortari. But Europe and Korea have candidates of their own.

In the hands of the WTO, the new GATT rules provide a more comprehensive set of traffic controls and lane markers for the fast-growing flow of goods and investment around the world.

The rules provide an insurance policy for the $1.5 trillion now invested in international stock portfolios and the $80 billion a year in direct investment flowing from the world's developing nations to the emerging markets of Asia and Latin America.

Trade now accounts for one quarter of the nation's output of goods and services, double the proportion in 1970. In another 15 years, "more than a third of our wealth will depend entirely on doing business with other nations," notes Rep. Jim Kolbe (R-Ariz.), a trade advocate.

Congressional approval of the trade pact was further vindication of President Clinton's commitment to preserve the nation's half-century-long support for open trade, following a similar political test just a year ago in the debate over the North American Free Trade Agreement.

But the breadth of the opposition in Congress suggested that Clinton has not settled the debate in the country about the impact of trade on ordinary Americans. Far from a unifying political force, trade is likely to drive wedges into both political parties.

Clinton will face opposition from some of his party's congressional leaders when he makes his next major move on the trade front—a trade pact with Chile. An invitation to Chile to join NAFTA as its fourth member, with the United States, Canada and Mexico, is expected to highlight Clinton's appearance next week at a Summit of the Americas in Miami, officials said.

In a debate over free trade with Chile, the president's allies, as in NAFTA, will be the business community and the Republican leadership that by then will be in charge in Congress. But in return, Republicans will insist that Clinton take only the smallest of steps toward one of his basic policy goals—using future trade accords to advance the causes of environmental protection and workers' rights.

Whatever Clinton does to make Republicans happy on this front will cost him support from his party.

The pivotal decisions by Senate Republican leader Robert J. Dole (Kan.) to support the GATT agreement put most of the likely GOP presidential contenders in that camp.

But some conservatives, such as commentator Patrick J. Buchanan, vowed to challenge the president on this front, portraying the decision to join the WTO as a setback for U.S. interests.

Dole may have made the WTO a bigger issue for Republicans in 1996 by stepping so decisively into the debate. First he voiced his own concerns about the question of whether the WTO posed a threat to sovereignty. Then he struck a last-minute bargain with Clinton that will establish an "escape hatch" for the United States to exit the WTO if Congress believes the trade body is trampling on U.S. rights.

While Dole's move helped ensure Senate approval, he painted a bull's-eye on the organization if a series of decisions on trade disputes goes against the United States and inflames Congress.

In the end, the public's verdict on GATT may hinge on whether the economic benefits from increased trade outweigh the costs.

Clinton and his allies have said the trade agreement will create new jobs, promising that as trade expands, so will the economy, generating 150,000 jobs a year when the agreement is fully in effect at the turn of the century.

Most economists shy away from such attempts at precision, but nearly all agree that expanding trade triggers more growth—the lesson from Asia's economic miracle.

However the economy is performing when the next presidential election arrives, trade is now certain to get more of the credit—or the blame.
Here is the 76 to 24 vote by which the Senate approved the world trade accord negotiated under the General Agreement on Tariffs and Trade.

A "yes" vote was a vote to approve ratification legislation, a "no" vote was a vote to reject ratification. Voting "yes" were 41 Democrats and 35 Republicans. Voting "no" were 13 Democrats and 11 Republicans.
Army Finds Deficiencies at Utah Chemical Weapons Incinerator

By Thomas W. Lippman

Investigators from the Army Inspector General's office compiled a secret 15-page list of safety deficiencies at the Army's new $400 million chemical weapons incinerator in Utah in September, shortly before an inspector at the site who found similar faults was fired in what he said was retaliation for his damaging report.

The IG report, leaked this week to opponents of the Army's controversial chemical weapons disposition program, lists safety problems that range from the seemingly trivial, such as failure to hang coveralls on the proper hooks, to the potentially dangerous, such as liquids spilling from vessels filled beyond capacity.

The report, combined with earlier allegations by the fired inspector, Steve Jones, showed the chemical incineration program is flawed and should be delayed or discontinued. But the Army said the report, which it asked for, only demonstrates its determination to find and correct all deficiencies before the Tooele, Utah, facility goes into operation next September.

"There is nothing here that seriously changes the Army's perception that we are where we should be nine and a half months before starting operations," said Col. James Coverstone, director of the Army's Chemical Stockpile Disposal Program. "We know everything will be corrected; it will have to be corrected, before we go up." Questions about the reliability of the Tooele plant have implications far beyond Utah because they could undermine the Army's entire $10 billion chemical weapons disposal program.

But some community watchdog groups and environmentalists oppose incineration across the board, fearing leaking of toxic material, and want the construction program halted while alternatives are considered. Reports of deficiencies at Tooele play into their hands.

"They say it's under control but the evidence proves otherwise," said Craig Williams, director of the Chemical Weapons Working Group, a network of citizens' organizations opposed to the disposition program. "It's collusion between the Army and its contractors to mislead lawmakers and taxpayers."

Questions about safety at Tooele were first raised publicly in September when Jones, an inspector hired by EG&G Corp., the company that built the plant for the Army, was fired. He said he was dismissed because he refused to withdraw allegations that key safety systems at the plant were inadequate and a "catastrophic accident could occur. His employer dismissed his allegations as an attempt at revenge by an unsatisfactory employee who was fired in a personality clash.

Findings by an Army inquiry into Jones's charges, made public last week, found some deficiencies and validated some of Jones's claims. But the Army report said the problems could be corrected and there was no reason to delay the program. What the Army did not say in making those findings public was that the Army's IG, reviewing safety at the plant the same period Jones was employed there, also produced findings in many ways similar to his. Most of the deficiencies identified in the IG report are procedural, not systemic. That is, they involve improper labeling, inadequate training, faulty record keeping, unapproved storage methods and the like, rather than basic design flaws. But the report also says the design of the Utah facility failed to incorporate the "lessons learned" from problems at Johnston Island, leading to difficulties with proper disposal of solids and to unspecified environmental problems.

But Jones said the reason the Army scheduled an 18-month shakedown period between completion of construction and planned startup of the Utah incinerator was to identify and correct safety problems. "Every one either has been or will be corrected" before the plant is deemed operational, he said.

Locality Pay Adjustment Will Give Senior Government Employees an Extra Boost in '95

By Stephen Barr

The Clinton administration boosted the salaries yesterday of the government's senior scientists, engineers, career diplomats and executives by granting them a locality pay raise for next year.

The adjustment, worth 1.22 percent here, will be combined with a 1995 nationwide raise for next year. Executives by granting them a locality pay raise, 2 percent for next year, is based upon executive projections.

Yesterday, President Clinton approved the recommendations, allowing the comparability payments to take effect the first pay period after Jan. 1.

OPM said locality pay percentages had been refined since they were announced in November, allowing for small increases in 23 of the 27 geographic areas that are surveyed under the locality formula.

In the Washington-Baltimore area, the new calculations moved the locality pay raise from 1.21 percent to 1.22 percent. The nationwide raise, 2 percent for next year, is based upon changes in the Employment Cost Index.

The locality calculations were complicated this year by Congress's instruction to not spend more than $500 million on locality pay. Overall, the 1995 raises will cost the government about $1.5 billion, according to tentative projections.

Under the new pay formulas, a GS-4, Step 10, would earn $25,656 next year, and a GS-10, Step 10, would earn $42,808. An employee starting at GS-1, Step 1, would earn $12,806, and an employee at the top of the pay schedule, GS-15, Step 10, would receive $93,156.

Last year, federal employees were denied a general raise, but area workers received a 4.23 percent increase through locality pay.
**Pyramid Schemes Targeted**

**Investment Games Are Illegal in D.C.**

By Robert O'Harrow Jr. and Bill Miller

District authorities have begun cracking down on pyramid games that promise extraordinary cash payoffs, saying yesterday they will issue subpoenas and seek out organizers to try to stop the flourishing gambling schemes.

In going after games that have become a fast and sometimes vicious business, Washington has come under intense pressure from federal law enforcement officials at the Department of Consumer and Regulatory Affairs and 60,000 other state laws, consumer advocates said. The federal government's antitrust laws do not allow states to police pyramid games.

A Washington lobbyist, lawyer and others have been urged to return money they collected using the schemes. The state's securities commissioner, Robert N. McDonald, said D.C. officials have not requested registration records. He said he had contacted D.C. government officials and police leaders before he began renting the conference room.

"This is a scam," said Mitch Berger, a lawyer who is conducting its own investigation. "Our first goal is to stop the pyramids. The second goal is to make an example of the most culpable people."

Authorities began investigating a game known as "Friends Helping Friends" recently after receiving reports that hundreds of Maryland residents were visiting hotels catering to tourists to recruit players, explaining the rules and exchanging thousands of dollars in payoffs. Investigators found that because such games are illegal in Maryland, Virginia and 44 other states, promoters had been telling potential players that they could avoid trouble by going to the District, where officials in recent months have been quoted as saying that there was no specific law prohibiting the activity.

But D.C. authorities now say that "Friends Helping Friends" violates the city's consumer protection laws and may break federal and local fraud statutes because the games promise returns of $12,000 or more for an initial investment of $1,500, a promise that is false for most players.

"Friends Helping Friends," a game called "Airplane" and similar schemes generally require players to make an initial investment and then to recruit additional players to do likewise.

By adding players to the game, players move up an organizational chart, or pyramid, toward a big pay-off. Most states consider the games fraudulent because, in order for every person to make money, they require an infinite number of investors.

Those who become players later in the games invariably lose their money, consumer advocates said.

D.C. consumer affairs officials, acting on complaints from disgruntled players, said they have identified at least six hotels and motels across the city that have rented meeting rooms to game organizers.

Until recently, one popular gathering place was the 2700 block of New York Avenue NE. Managers there said that beginning in September, at least 30 pyramid players met nearly every night in a conference room. The sessions ended when D.C. government officials questioned whether the games were legal under D.C. anti-fraud laws.

Under city law, the hotel's director of food and beverage services, said D.C. officials have not requested registration records. He said he had contacted D.C. government officials and police leaders before he began renting the conference room and had been told that pyramid activities were legal in the city. But they've stopped coming here, but there are a lot of hotels continuing to do it," Defendall said.

Berger said many players will be contacted and hundreds will be urged to return money they collected using the schemes. He said he had contacted D.C. government officials and police leaders before he began renting the conference room and had been told that pyramid activities were legal in the city. But they've stopped coming here, but there are a lot of hotels continuing to do it," Defendall said.

"We are currently drafting subpoenas for individuals who we know are involved in this," Berger said. "If you have someone else's money in your pocket, you are in violation." Scores of such games started thriving in Maryland and the District this year. In one game last summer, Washington lobbyists, lawyers and others were exchanging thousands of dollars in a downtown D.C. beauty salon.

But after local authorities in Maryland began investigating the games, which frightened some of Washington lobbyists, and others were exchanging thousands of dollars in a downtown D.C. beauty salon.

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Consumer Spending Binge Worrisome to Fed

By John M. Berry
Washington Post Staff Writer

Federal Reserve Governor Lawrence Lindsey and other Fed officials said that the nation's unexpectedly strong economic growth is not likely to slow until Americans finally decide they have bought enough new cars, pickups, furniture and appliances for now.

Lindsey and his colleagues at the Fed have been raising short-term interest rates since last winter to ease the heady pace of an economic expansion that has proved to have more momentum than they expected because consumers have proved so willing to buy big-ticket items.

"The key question is when the consumer will give out," Lindsey said in an interview. "I believe that the consumer should have given out before now.

Fed officials say they are just as happy as anyone else at all the jobs that have been created this year, all the new cars in people's driveways, all the new equipment installed in the nation's factories and all the new homes built. But they remain concerned that with unemployment down to 5.7 percent, too rapid growth will soon cause inflation to rise.

And they say they have been a bit puzzled that growth, which has been running at a 3.8 percent rate so far this year, has not slowed.

A series of economic reports released yesterday showed that confident consumers headed into the Christmas buying season in a good mood with rising amounts of take-home pay.

The Commerce Department reported, for example, that both personal income and after-tax income rose 1.4 percent in October as private wages and salaries rose sharply.

"Consumer buying power is at its highest point since February," Lindsey said. "The increase in personal income, the largest gain since February, allowed consumers to boost their spending on goods and services 0.7 percent while increasing their saving as well.

Analysts said the figures indicate that consumer spending was off to a good start in the fourth quarter, perhaps rising somewhat faster than the 3.3 percent inflation-adjusted rate of the three months from July through September.

Meanwhile, reports released yesterday from major retailing chains showed that November sales in stores open at least a year were up an average of about 4.4 percent, compared with the same month a year ago. That is slightly higher than the increases in the previous four months.

Lindsey said that consumer surveys conducted by the University of Michigan have begun to find that some consumers saying that they are buying items now to beat future price increases or to obtain financing for the purchases before interest rates go higher.

"That is a sure sign that the surge in consumer spending is on its last legs," Lindsey said. "Next year we are going to find that the bloom is off the consumer rose.

The Fed governor said that in retrospect it was clear that consumers had decided that "this last two years were a particularly good time to buy large ticket items, especially cars.

For example, Lindsey said that an index of the cost of buying a new car financed with a loan relative to household income hit a low point late last year. That index has not moved up very much since, he added.

"The auto industry has not gotten piggy yet and car prices are still modest," he said. "And interest rates on car loans are still low" compared with years prior to 1993, so affordability has not been hurt a great deal.

The strong consumer demand—which accounts for about two-thirds of total purchases in the U.S. economy—has led manufacturers to step up production both to meet the current demand and to allow wholesalers and retailers to build up a stock of goods so as not to lose future sales, Fed officials said.

That process of inventory building could sustain relatively rapid economic growth for several months after consumer spending weakens, Lindsey said.

Another report out yesterday highlighted the strength in U.S. manufacturing. The National Association of Purchasing Management said its index of manufacturing activity rose to 61.2 last month, the highest level in more than a decade from 59.7 the month before. A reading of more than 50 indicates that the manufacturing sector is expanding.

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Senate Passes Pension Reform Measure

Bill Requires Companies to Put More Money in Underfunded Plans

By David A. Vise
Washington Post Staff Writer

The Senate yesterday passed a major pension reform bill that requires corporations to contribute more money to underfunded plans and pay higher premiums for federal insurance, Labor Secretary Robert B. Reich said.

Reich said he was "happy" as anyone else at all the jobs that have been created this year, all the new cars in people's driveways, all the new equipment installed in the nation's factories and all the new homes built. But he remained concerned that with unemployment down to 5.7 percent, too rapid growth will soon cause inflation to rise.

And he said he has been a bit puzzled that growth, which has been running at a 3.8 percent rate so far this year, has not slowed.

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For example, the new rules requiring faster pension funding would apply only to corporations whose pension plans are less than 90 percent funded. Some major companies, including USX Corp., that would have been affected by the original bill will continue to operate under the old funding system.

Corporate representatives said the pension bill passed Congress mainly because it was attached to a large trade bill supported. The trade bill costs the government an estimated $11 billion, so legislators needed to attach measures that would raise funds; the higher insurance premiums in the pension bill will raise an estimated $1 billion over five years.

In the context of GATT, the pension protection act is acceptable," said Jim Kaitz, vice president of the National Association of ERISA Industry Councils, a lobby group that represents major employers with pension plans.

The bill requires companies to notify employees if pension plans are less than 90 percent funded and explain why. Federal insurance will cover underfunded pension plans to $30,885 in 1995.

Companies with severely underfunded plans will begin paying more for federal insurance in 1995. The legislation phases out a $53 per person annual ceiling on the additional insurance premiums that companies with underfunded plans must pay. It also requires private companies with large underfunded plans to notify the PBGC in advance of mergers and other deals that might jeopardize pensions.

"Workers and companies can now have confidence in a stronger pension system and the PBGC," said PBGC Executive Director Martin Slate. The agency's insurance program covers about 41 million workers and retirees.

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The Washington Post Friday, December 2, 1994
In Regulatory Assault, GOP Has a Lot to Be Tankful For

By Cindy Skrzycki  
Washington Post Staff Writer

The next few years could be a golden age for critics of federal regulation. Now that the Republicans are in ascendency on Capitol Hill, conservative think tanks, business-oriented trade associations and other anti-regulatory activists are plotting how to topple the established regulatory order. Scholars and policy makers at places such as the Heritage Foundation, Cato Institute, Hudson Institute and other conservative centers have spent years preparing for the coming counterrevolution. In fact, some of their ideas—such as freeing the states from paying for regulatory "mandates" imposed by the federal government and cost-benefit analyses for new regulations—have become conventional wisdom for both Republicans and even some Democrats. But the legitimacy of their ideas really was confirmed when the GOP included an anti-regulation plank in its "Contract With America" and introduced an ambitious bill called the Job Creation and Wage Enhancement Act, which embodies many of the initiatives considered mainstream in conservative circles. Now, demand for their work is high. As a result, conservative think tanks and business organizations are working overtime to provide intellectual ammunition for lawmakers intent on overthrowing more than 30 years of regulatory history. "We try not to proceed without bouncing our ideas off of them," said Monica Vegas, legislative director for Rep. Tom DeLay (R-Tex.), who heads the regulatory reform coalition in the House.

Groups such as Cato now will assume more prominence, especially since Edward Hudgins, Cato's director of regulatory studies, has years of experience working the anti-regulation issue on Capitol Hill (he has worked closely with Rep. Richard K. Armey (R-Tex.), soon to be House majority leader). Hudgins is developing a list of regulations and laws ripe for review. He's calling this hit list "The Dirty Dozen—Beyond the Contract." He wants Congress to consider ditching the existing Superfund legislation. He said the current law is a "horror story," because it spends more for lawyers and bureaucracy than for actually cleaning up the environment. Where there isn't a serious problem, he suggests, why not put up a fence around the site rather than haul dirt away from it—a more expensive option? He suggests that when businesses pollute and there is identifiable harm done, the problem should be handled in court and the company should pay fines proportionate to the damage done to the victims, not the state. Similarly, he thinks responsibility for clean air and water should be turned over to states and localities.

Susan Eckerly, deputy director of economic policy at the Heritage Foundation, said Hudgins' ideas "aren't considered far out at all in this environment. . . . This is an excellent opportunity to change the focus of the debate." Other observers, however, doubt Congress will take such extreme measures. Heritage, which for years has been stressing the harsh economic impact of regulations, said it will try to help new members of Congress understand regulatory issues. Early next year, Heritage will publish what Eckerly calls "a compilation of [regulatory] horror stories from the various agencies." Many of the individuals who are prominent in the regulatory debate are Council on Competitiveness alumni who went to work for the Heritage Foundation, said Hudgins.

Not to be left out are huge lobbying forces such as the National Association of Manufacturers and the U.S. Chamber of Commerce. The Chamber has started a regulatory affairs committee whose members will work on regulatory reform legislation, public education and research. NAM has started a group called Alliance for Responsible Regulation, which says it will push for more emphasis on science, risk assessment and economics in the regulatory process. The group already has about 1,000 members.

The new enthusiasm for regulatory rollback and reform has many public interest groups worrying that conservatives are "using good-sounding rhetoric to dismantle the government," said Gary Bass, executive of OMB Watch, a public interest group that monitors the regulatory process. "We're losing sight of valuable regulations that Americans depend on."

Election Aftermath: Anti-Regulatory Rush Gathers Steam

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OUT FOR COMMENT: at a board of directors meeting of the American Association of State Highway and Transportation Officials, William Lareau, president of the American Samurai Institute, gave a talk on quality management entitled "Dinosaurs, Samurai and Your DOT (Department of Transportation). . . . As if there aren't enough catalogues around this holiday season, now there's the Occupational Safety and Health Administration's 24-page catalogue listing 200 products to develop safety programs and address workplace hazards.
Army, Serbs Renew Fighting Inside Croatia

Zagreb Officials Vow to Help Beleaguered Muslims in Bihac

By John Pomfret
Washington Post Foreign Service

ZAGREB, Croatia, Dec. 1—Croatian army troops battled rebel Serb forces in the biggest engagement since a cease-fire was signed last March, U.N. officials said today, voicing concerns that a coordinated Serb attack on the Bihac pocket, just across the border in Bosnia, could draw Croatia into the Bosnian war.

Croatia's two top military officials vowed that if Bihac falls, Croatian troops will fight to free it. The officials, Defense Minister Gojko Susak and Gen. Janko Bobetko, chief of the general staff, said Croatia had been poised to stop the Serb assault on the Bosnian pocket when it began but was persuaded to halt its attack by the United States and other NATO members.

"Croatia will not wait for Bihac to fall," Susak told a news conference. "Croatia will intervene before that."

U.N. spokesman Michael Williams said that on Wednesday Croatian forces around the town of Limar near the Dalmatian coast fired 33 mortar rounds at Serb-held territory in Croatia during a five-hour firefight. He said it marked the most intense clash between the Croatian army and rebel Serbs, who hold 27 percent of Croatia, since March 29 when the two sides agreed on a comprehensive cease-fire.

"Clearly it is a very serious incident," Williams said. "We've had nothing like it for several months."

Tension had been rising in Croatia ever since Bosnian and Croatian Serb forces continued their attacks on the Muslim held Bihac pocket in northwestern Bosnia three weeks ago. On Tuesday, 132 cease-fire violations were reported, a high since March; on Wednesday, the number was 129. U.N. officials said clashes had erupted at six places along the front line in Croatia in an attempt to tie down forces from the Croatian army and thereby prevent the Serb army and rebel Serbs, who hold 27 percent of Croatia, since March 29 when the two sides agreed on a comprehensive cease-fire.

"We were sorry because their backs were turned to us and this would have caused some casualties," said one official, adding that Croatia backed down "in the hope that the United States would use NATO aircraft" to stop the Serb assault.

Another option would be to begin to mass troops along the confrontation line in Croatia in an attempt to tie down forces from the Croatian Serb army and thereby prevent them from entering Bihac and send them south to deal with that attack.

A final recourse would be an attack on the Krajina Serbs, but several U.N. and Western officials said they did not believe this would occur.

The Washington Post
Serbs Gain New Leverage Over Bosnian Peace Plan

By John Pomfret
Washington Post Foreign Service

SARAJEVO, Bosnia—One month ago, the Bosnian Serbs were on the ropes.

Their enemies, forces of the Muslim-led Bosnian government, had just punched out of the northwestern Bihac pocket. A combined Croatian-Muslim assault had captured the first Serb-held town since the war began. NATO and the United Nations had agreed on a more robust use of airstrikes to punish the Serbs. A crippling embargo imposed by the United States, the European Union and Russia, the Serbs would no longer be satisfied with modifications to a U.N.-sponsored peace plan—modifications that would benefit the Serbs—if only the Serbs will agree.

The Serbs' return to offensive actions on the battlefield after a break of six months has been accompanied by an important political shift—and a hardening of their position.

"If the international community gets tough with us, we will get tough with them," said Jovan Zametica, an advisor to Radowan Karadzic, leader of the Bosnian Serbs. "We know how to do that."

The more aggressive posture was evident Wednesday when Karadzic, the psychiatrist turned nationalist leader, refused to meet the world's top diplomat, snubbing U.N. Secretary General Boutros Boutros-Ghali. That same day, Serb gunmen crossed into Croatia and kidnapped seven U.N. peacekeepers. Serb forces released 45 British hostages in eastern Bosnia but still hold more than 450 U.N. soldiers.

U.N. officials say the Serbs, who occupy 70 percent of Bosnia, appear to be interested in the notion of an alliance with the Croatian Serbs, who hold 27 percent of Croatia. Those who favor this route would like the resulting confederation recognized as an independent state, U.N. officials say.

And for the first time, according to these officials, the Bosnian Serbs seem willing to see the U.N. peacekeepers pack its bags and go.

"We have always wanted peace, but, of course, it must be an endurable one," said Nikola Koljevic, a Shakespearean scholar who serves as vice president of the self-styled Bosnian Serb state. "We were ready to talk about other things earlier, but the international community missed its chance."

Serb officials have often said they feared a U.N. pullout because it could free NATO to hit hard at Serb targets, following through on its threat to use airstrikes to protect Muslim-held "safe areas" such as Sarajevo and Bihac. When the Serbs attacked Bihac 10 days ago, NATO responded with limited strikes. But the Serbs did not stop.

"Don't mess about. If you hit us again, it means all-out war," Zame- tica, the adviser, warned U.N. peacekeepers following the last of two airstrikes. "This has come from the head of state, President Karadzic. He is in a furious mood."

The battle for Bihac demonstrated that the Serbs could attack a safe area without unacceptable consequences. On Nov. 26, Bosnian Serb Gen. Manolo Milovanovic, the commander of the operation, openly demanded that the Muslims surrender.

"You are completely surrounded," he said in remarks broadcast by Bosnian Serb television. "If you don't want to think about your lives, you ought to think about the lives of your civilian population, which is innocent."

In a later broadcast, Serb TV showed hundreds of young men it said were Muslim prisoners of war. They were shown chanting, "Bosnia is Serbian, just like Moscow is Russian." The footage also showed Bosnian Serb soldiers jamming a Turkish fax onto the head of a plainly terrified young prisoner. Some Serbs refer contemptuously to the Bosnian Muslims as " Turks."

U.N. officials say the Serb treatment of Boutros-Ghali was a strong indication that they may be seeking some measure of recognition as an independent state. These officials say Karadzic and his faction might no longer be satisfied with modifications of the international peace plan allowing his chunk of Bosnia to form a confederation with Serbia.

Under the plan, brokered by the United States, Britain, France, Germany and Russia, the Serbs would be forced to surrender about one-third of their territory to a Muslim-Croat federation. While the Muslim-Croat federation would be allowed to form a confederation with Croatia, the Serbs would not be permitted to confederate with Serbia.

In August, the Serbs rejected the peace plan; the Muslim and Croat factions have accepted it.

Over the last few months, Britain and France have lobbied for the Serbs to be allowed "constitutional equality," the right to confederate with Serbia. Last week, U.S. officials, including Defense Secretary William J. Perry, signaled that the United States was willing to consider this change.

But do the Serbs still want it? "Confederation is no longer our demand," Vice President Koljevic said. "We want complete independence and U.N. recognition."

"We're offering them yesterday's deal," said one U.N. official. "We're not very good at listening to their changes."

The success of the coordinated Serb diplomatic and military offensive also appears to have worried Milosevic.

The Serbian president shut his borders to the Bosnian Serbs in August after they rejected the international peace plan. Now, however, there is growing evidence that the Belgrade strongman is breaking his own embargo, providing the Bosnian Serbs with upgraded surface-to-air missile batteries and fuel from across Bosnia's border with Montenegro, one of two remaining republics in Yugoslavia, U.N. officials said. 

RADOVAN KARADZIC 
...more aggressive policies
Russian Minister Balks at NATO’s Expansion Plans

By Daniel Williams
Washington Post Staff Writer

BRUSSELS, Dec. 1—Russian Foreign Minister Andrei Kozyrev disrupted the close of a NATO foreign ministers’ meeting today by objecting to the alliance’s plans for expansion and by withholding agreement to a program of military cooperation between Moscow and its former Western adversaries.

Just hours earlier, NATO had laid out plans to develop basic membership requirements for former East Bloc countries that want to be covered by NATO’s security blanket.

But the announcement was heavily weighted with caution. The ministers, including Secretary of State Warren Christopher, declined to say which nations would be admitted and when.

The omission was in part an attempt to allay Russian suspicions that NATO expansion, which Moscow has long regarded as threatening, would move quickly. But today’s announcement did go beyond the Partnership for Peace, a program of cooperation between NATO and its former adversaries that expressly excluded setting membership criteria or timetables.

In an awkward exchange, Kozyrev told the 16 alliance ministers and NATO Secretary General Willy Claes that he would not sign Russia into the Partnership for Peace, which Russia agreed in principle to join earlier this year following a similar display of reluctance by Kozyrev at a NATO meeting in Istanbul.

“Very frankly, I must tell you there are certain issues that must be clarified,” he said, fingerling the day’s NATO communique which laid out steps for possible expansion.

“If the strategy of NATO is to enlarge, that requires consultation,” Claes quickly responded that “it’s not too difficult to explain. I’ll ask the press to leave now.” Television cameras were shut off.

U.S. officials dismissed Kozyrev’s reaction, saying they expected Russia to sign. “I would be tempted to say it was a theatrical performance meant for domestic political consumption,” State Department spokesman Michael McCurry said. The government of President Boris Yeltsin has been criticized by conservatives at home for moving too close to the West.

Overall, today was a day of struggle for NATO to show resolve and purpose. Officials sought to paint a bright picture of the future of European security and divert attention from the alliance’s ineffective role in Bosnia.

NATO officials all but wrote off the Bosnian conflict, less than a year after alliance leaders, including President Clinton, pledged use of NATO air power to protect Muslim civilians in Bosnia from attack by Serb insurgents. The Clinton administration regarded the threat of airstrikes as a way to pressure the Serbs, whom it has labeled the aggressors in the Bosnian conflict, to sign a peace accord.

The threat dribbled away last week as the Serbs assaulted a U.N.-protected “safe area” around the town of Bihac, controlled by the Muslim-led Bosnian government. At a NATO meeting last Thursday, Britain and France rebuffed an American request for airstrikes, prompting the Clinton administration to abandon the tactic of linking force to diplomacy. NATO was left trying to back up its own image.

“The solution for this appalling conflict cannot come from this organization alone,” said Claes.

“I have heard no head of state or prime minister ready to take the risks” of full-scale intervention, he added.

What is important, he told a news conference, is NATO’s “solidarity,” noting that NATO’s performance in Bosnia is limited by U.N. dictates.

Christopher, at a later appearance, suggested that future security arrangements will better handle Bosnian-like conflicts. “Bosnia was certainly on our minds today, but we really addressed the future of NATO,” he said. Repeating a position maintained as far back as the Bush administration, he said that only a massive troop commitment would make a difference and that the United States was not willing to engage 100,000 troops in Bosnia.

In today's talks, Bosnia—where troops from NATO members Britain, France, Spain and Canada serve as a U.N. peacekeepers—was only a subject of a luncheon discussion and was barely raised during the formal morning and afternoon meetings. Of 20 items on a final communique, Bosnia was No. 18, just ahead of discussing “importance to developments around the Mediterranean,” NATO called for a cease-fire, supported diplomacy and warned the Serbs to re-release more than 450 U.N. personnel who are holding as virtual hostages.

Air power was available only in an accord of existing arrangements with the United Nations, the communique said.

Christopher said NATO is making plans in case peacekeeping troops have to be withdrawn because of stepped-up fighting.

The eagerness to put Bosnia aside undercut the day’s official message: that even after the Cold War, NATO is still the key to European security.

The main business of the day, NATO and U.S. officials said, was an agreement on steps toward NATO expansion.

The ministers stopped short of guaranteeing membership once the conditions are fulfilled and effectively delayed for at least a year the controversial decision on who will get in and when. During the next three or four months, NATO will study the costs and obligations for membership and present them to prospective members, notably Poland, Hungary and the Czech Republic.

“The initial exchanges are not intended to be the beginning of accession negotiations,” Christopher said. “Neither will they indicate that any partner is necessarily a candidate for admission.”

The alliance appeared to be wary of offending Russia, which opposes inclusion of any former Soviet satellites. Kozyrev was unimpressed.

Arriving after the NATO meeting, Kozyrev expressed surprise at the decision to study expansion. In effect, he frustrated U.S. officials’ efforts to depict an understanding between the West and its former foes in Moscow.

In their meeting, Christopher and other ministers assured Kozyrev that no new members would be recruited in 1995 and that even afterward, expansion would take time.

Kozyrev today was supposed to formally enter Russia in activities of the Partnership for Peace, a program designed to prepare potential NATO members and maintain contacts with other countries that, like Russia, will probably never be invited to join.

Because Russia resisted being lumped with smaller countries, many of which had been dominated by the Soviet Union, it was offered a special channel of communication with NATO on issues such as nuclear weapons. Kozyrev was supposed to sign that accord too, but did not.

“I would be tempted to say it was a theatrical performance meant for domestic consumption.”

— State Department spokesman
German Terrorist Who Killed 3 GI's Leaves Jail

By Rick Atkinson
Washington Post Foreign Service

BERLIN, Dec. 1—Imagd Moeller, the unrepentant left-wing terrorist convicted of killing three U.S. soldiers with a car bomb in 1972, walked out of prison today after her life term was commuted to a suspended sentence.

Moeller's release on grounds of poor health caused protest by the victims' families and from the U.S. State Department, which last month publicly deplored her lack of remorse.

A crowd of 250 supporters, flanked by dozens of reporters and photographers, awaited Moeller, 47, as she emerged from the gates of the federal prison in Luebeck, near Hamburg. She waved and smiled at the crowd while collecting champagne bottles, Christmas presents and bouquet of roses and gladiolus.

Well-wishers sang 1960s anti-Vietnam War protest songs and chanted, "Freedom for all political prisoners."

"It still feels a bit unreal," said Moeller, dressed in a red sweatshirt, leather jacket and jeans. "I would never have gotten out if there hadn't been an international mobilization."

Moeller deflected all questions about her plans but indicated that she no longer posed a political goal to the notorious Baader-Meinhof gang, of which she was an early member. The group, later known as the Red Army Faction, has been called "death night" in October 1977, the last of her leaders.

Although Moeller is not coooperate with a court-appointed psychologist evaluating her mental stability, the Luebeck court concluded this fall that she no longer posed a threat to society and "had changed her attitude toward violence in a positive way." The Heidelberg state prosecutor declined to appeal the court's decision.

Moeller reportedly suffers from skin, eye and other ailments. Today she appeared drawn and pale, a martyr of the far left and a celebrated cause for assorted clergy, writers and politicians.

Yeltsin Delays Crackdown on Rebels

Troops Stand By as Deadline Given Breakaway Chechnya Passes

By Fred Hiatt
Washington Post Foreign Service

MOSCOW, Dec. 1—President Boris Yeltsin's 48-hour ultimatum to the breakaway Russian republic of Chechnya expired today without attack from the Russian troops massing on the border or other decisive action.

Yeltsin had threatened Tuesday to use "all forces and resources at the disposal of the state" unless the rebel Chechen government disbanded its army and freed its Russian prisoners by this morning. He said he would otherwise impose a state of emergency.

A lot of people are going to ask how I survived all this time," added Moeller, who spent part of her imprisonment in solitary confinement. "I kept alive the aims for which I fought, which last month publicly deplored her lack of remorse.

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The Washington Post
Britain, IRA’s Political Arm to Hold First Direct Talks Next Week

By Fred Barbash
Washington Post Foreign Service

LONDON, Dec. 1—Prime Minis­ter John Major today scheduled for next week the first face-to-face talks between the British government and Sinn Fein, the political arm of the Irish Republican Army.

The announcement, a landmark in the Northern Ireland struggle, was a measure of the government’s satisfac­tion so far with Sinn Fein’s commit­ment to ending the violence that has turned the province into a Catholi­c-Protestant battleground over the past 25 years. It also demon­strated the extent to which the govern­ment has legitimized Sinn Fein, which just four months ago it reviled as a terrorist organization. Until now, the British government has communi­cated only with Sinn Fein through intermediaries. The “ex­ploratory” talks, set for Belfast Wednesday, will be the first formal direct contacts. Heading the agenda will be London’s insistence the IRA surrender weapons and explosives it has stockpiled over the years. For the government, “demilitarization” is a condition for beginning substantive talks later with Sinn Fein.

The government is likely to set a date soon for future talks with repre­sented of Protestant paramili­tary organizations, which declared their own cease-fire in October.

Major’s announcement fulfills a commitment he made after the IRA declared a cease-fire on Aug. 31 to open talks when he was satisfied that the cessation of hostilities was permanent.

The IRA has committed one known terrorist act since then—the killing of a postal service worker during a robbery on Nov. 10—which it blamed on a breakdown in its “chain of command.” The govern­ment has chosen not to let that at­tack disrupt the peace process.

The IRA is a part of a larger attempt initiated by Britain and the Republic of Ireland to arrive at a permanent settlement that will the warfare in the British province.

Catholic nationalists, including nonviolent activists as well as para­militaries, are aiming for a British withdrawal and reunification with Ireland. Protestant unionists, who make up the majority of Northern Ireland’s 1.5 million people, want to stay in the United Kingdom.

The Belfast discussions, at which Britain will be represented by a sec­ond-level official, will not deal with such broad issues, however. In the view of the British government, they will not be negotiations but “talks about talks.” In the view of Martin McGuinness, Sinn Fein leader Gerry Adams’s deputy, the Belfast discus­sions will be the talks themselves.

McGuinness will represent Sinn Fein next week and Quentin Thom­mas, deputy secretary in Britain’s Northern Ireland Office, will repre­sent London.

By John M. Goebko
Washington Post Staff Writer

President Clinton yesterday named retiring Senate Majority Leader George J. Mitchell (D-Maine) to be a part-time trade and investment adviser to Northern Ire­land as part of a U.S. effort to bring a “peace dividend” to the United Kingdom province troubled by bloody conflicts between Protestants and Roman Catholics.

Noting that the cease-fire be­tween the feuding factions has lasted for three months, Clinton said: “At this hopeful and historic moment, it’s essential to create more eco­nomic opportunities in a region whose prospects have been blighted by bloodshed. . . . There must be a peace dividend in Ireland for peace to succeed.”

Clinton, who spoke at a White House ceremony, also welcomed an announcement by the British govern­ment that it is inviting representa­tives of Sinn Fein, the political arm of the Irish Republican Army, to meet for face-to-face peace talks about Northern Ireland’s future.

U.S. officials said that Gerry Ad­ams, the Sinn Fein leader, will meet here with national security adviser Anthony Lake next week to discuss ways of getting movement in the peace talks. Adams is principal spokesman for the Irish nationalists who want to end Northern Ireland’s ties to Britain and join the province, which has a majority Protestant popu­lation, to the predominantly Catholi­c Republic of Ireland.

Sen. Edward M. Kennedy (D-Mass.), a prominent leader of Irish American efforts to resolve the Northern Ireland problem, wel­comed the decision to have Adams confer with Lake. However, Kenne­dy objected to a White House deci­sion allowing Adams to raise funds while in the United States and said he hoped the prohibition would be lifted.

Mitchell, whose father was Irish, will have the title of special adviser to the president and secretary of state for economic initiatives in Ireland. U.S. officials said that despite the broad nature of his title, Mitch­ell’s mandate will be to concentrate on economic development in Northern Ireland, where the religious tension­st have stunted growth and con­tributed to widespread unemployment and a sense of gloom in areas of the republic that have been similarly affected.

The officials stressed that Mitch­ell’s appointment does not mean that the United States intends to become involved directly in peace negoti­ations or that Mitchell will take on the role of a mediator. Instead, they said, his efforts will be confined to economic matters such as over­seeing a White House-sponsored conference on trade and investment in Northern Ireland, planned for Phila­delphia in April.

The officials said that the part­time nature of the job leaves Mitch­ell free to take private-sector em­ployment after he leaves the Senate next month. He has been mentioned frequently as a potential major league baseball commissioner, and he has said he is considering various offers from business and law firms.

Robinson, the British ambas­sador here, praised the appointment and said U.S. help in stimu­lating economic growth “is absolutely vital to the future of Northern Ire­land.”
Culture Clash: Canadian Nationalists Decry American Infiltration

By Charles Trueheart
Washington Post Foreign Service

TORONTO—Canada is carpet-bombed daily by American culture and entertainment. Occasionally, it bristles under the onslaught. This period expression of defiance known here as "cultural nationalism" is stirring again:

- A new Canadian country-music channel persuaded regulators earlier this year to remove from cable television an American-owned competitor with 10 years' standing here.
- Last month, the jilted Americans asked the Canadian Federal Appeals Court to reverse the decision, and a ruling is expected soon.
- Canadian magazine publishers, alarmed by competition from a special edition of Sports Illustrated tailored to Canadian audiences, are pressing the government to prohibitively tax such U.S. encroachments, which they call "dumping" of underpriced American cultural products.
- The government provoked a months-long uproar in the House of Commons last spring when it allowed the sale of a Canadian textbook publisher to American media giant Viacom. In the aftermath, it is scrambling to protect other domestic book publishers from the same fate.
- A new parliamentary report charting Canada's foreign policy urges a much bigger diplomatic emphasis on promoting and disseminating Canadian culture abroad. The aim is to "sharpen an image obscured by that of a country which they call "dumping" of underpriced American cultural products.

That is the term used by John Ralph Saul, a prominent Canadian writer who argued before the parliamentary committee studying foreign policy that it would be "naive to imagine that we can truly export our culture to the natural level of its quality unless we change the structure of the internal market."

Canadian artists and cultural institutions already enjoy support in that internal market through grants and other subsidies. Canadian media and entertainment companies also enjoy extraordinary protections from U.S. competition under provisions of the countries' two free-trade agreements.

Sensitive to Canada's position, and informed that the 1988 free-trade pact might not garner sufficient political support here without an exemption for cultural enterprise, the United States went along with the provisions—but added other language reserving the right to retaliate commercially if it disagreed with the Canadian claim.

The exemption has never been tested. But cross-border conflicts over issues such as Sports Illustrated Canada and Country Music Television could end the uneasy truce.

The Clinton administration already has had its patience with the Canadian exemption tried.

In the arduous negotiations leading up to the signing of the new round of the worldwide General Agreement on Tariffs and Trade, European nations feeling similarly overwhelmed by the daily American cultural invasion nearly unraveled the accord by demanding cultural exceptions and protections.

Entertainment industry lobbyists from the United States demanding unfeathered access to European markets were infuriated to be reminded of the Canadian precedent—as when French President Francois Mitterrand observed, "We have the right to ask the American government to have the same regard for Europeans as they do for our friends the Canadians."

Being a Canadian cultural nationalist in the new media environment is not easy, because protectionism can be double-edged.

Take the case of Country Music Television (CMT), a U.S.-owned channel that broadcasts country-music videos and related programs. It entered the Canadian market a decade ago and helped foster a boom in Canada's homegrown country-music industry. Now a domestic competitor has won a license to launch its own country-music video channel on Canadian television—and exercised its legal prerogative to bump the foreign-owned competition from the Canadian cable menu.

CMT will tell the court that the business it built in Canada is being confiscated. But it is not the only one complaining.

Many Canadian recording artists have been discovered and now owe their careers to airing of their videos on CMT in the United States. They fear being locked out of the U.S. market, which they say could happen if CMT no longer had a Canadian audience to reach and felt less obligation to broadcast Canadian artists. Conversely, in this case an exercise of Canadian cultural protectionism could mean a burden to the very purveyors of Canadian culture it is meant to boost.

"It is politically popular with academics, the media and the cultural community to do anything that looks like strengthening Canadian culture," said Allan Gotlieb, a former ambassador in Washington who later headed Canada's equivalent of the National Endowment for the Arts.

"The easiest and best way to do it is to subsidize Canadian cultural institutions, but there's no money for that. The most difficult way is attacker foreign ownership, and no government yet has worked out a way of doing that without getting into a row with the Yanks," Gotlieb said.

THE WASHINGTON POST FRIDAY, DECEMBER 2, 1994
O

n his last great day as speaker of the House, Tom Foley didn't go to his usual health club for his usual morning workout. He had to be ready for "Good Morning America" by 7, and the schedule from there on was packed: tributes and receptions, two swearing-ins, a news conference and interviews, and he still had to oversee passage of the GATT legislation.

But he had to have the workout. So Foley sneaked away to the nearby Washington Sports Club on Capitol Hill late Tuesday morning, to grunt and grimace in navy blue shorts and a sweat shirt. For 40 minutes he hit the seated rowing machine and the T-bar row and the lat pull-down and the free weights, pumping and curling, sipping coffee with "Sweet 'n Low" between portions of his back-strengthening regimen.

"It's a great stress reliever," he said of the routine that in recent years has carved him from bloat to buffed.

But when he had finished and showered and slipped back into his pin stripes, Foley lumbered over to a-photographer to express a concern: He was worried that his longtime trainer at the University Club, Greg Raleigh, would be hurt seeing him pictured working out with another instructor at another club. Perhaps, Foley suggested, he could do a second workout later that night and more photos could be taken.

To the last day, nobody was too small in Tom Foley's world. Though this was his day, the final curtain call on a distinguished five-year career in Congress, Foley's big worry was that he had inadvertently bruised the feelings of someone he so valued. The gesture was a fitting metaphor for Foley's brand of tempered leadership. For whatever his faults in the 5½ years he presided over the House, no one who observed him thought he was anything but a study in the art of graciousness.

When Foley first won election in 1964, defeating a 22-year Republican incumbent on the coattails of the LBJ landslide, one of his first acts was to host a reception to toast the loser. And though his term didn't officially end until Jan. 4 at about noon, that was the way he went out this week—nary a mean word for anyone. Not for the press who covered him, not for the voters who deposed him, not even for Newt Gingrich, his successor-in-waiting, who had sent him a terse letter requesting that he not destroy any official documents.

What will become of ex-speaker Foley? It's not yet clear. An adviser suggested that the former prosecutor might settle in for a while in big law firm, where he can make some money. Foley's only hint was that he would divide his time between the Spokane that he served in eastern Washington state and the other Washington in which he amassed his power. He did not rule out future public service, suggesting that he might be "able to have an opportunity to represent the United States abroad." But that would be down the road.

As he walked the familiar corridors this week, Foley—a large, fit man, with white hair and big ears and a plodding gait—seemed more interested in dispensing gratitude than in collecting it. He said he felt bad for House Minority Leader Bob Michel, a 37-year veteran of the institution who was retiring, never having fulfilled his lifetime ambition to become speaker.

"With a Republican majority, I wished it would have been possible for one, at least, for Bob Michel to be speaker of the House," Foley said during a series of short interviews this week. "He would have been a great speaker, because he has been a great leader."

In some ways, it is apt that they are leaving Congress together, for they are of a different political era. Unlike many of the quick-draw politicians of today, Foley speaks in long, reasoned flourishes. He is not prone to television-friendly 10-second answers. He doesn't think that what he has to say can be distilled into the singsong language of Dr. Seuss.

"On Congress: "I hope that it is going to be more a matter of substance, with a keen desire to uphold the traditions and standards of the institution, to protect the rights of members of both parties... and you really can't appreciate it until you hold it." He expressed some frustration that Gingrich is not challenged more on some of his statements—such as when he suggested that one of the first acts of his reign will be to pass a rule requiring the House to comply with the laws it imposes on the private sector. "We already did that," Foley says with a bit of exasperation. "We did it in October."

• On why the Democrats lost: "I think we obviously failed to explain ourselves. . . . Most people thought the recession was still on when we came to Washington and had no cause to some extent the public reports of, low confidence really aren't deserved." He likes to tell the story of a "focus group" convened by pollsters in Texas before the November election.

"They asked what it would be like if you came to Washington and had to work with a congressman. And one young worker said, 'Well, I'd be picked up in an enormous limousine, and I'd be driven to a great mansion, and there I'd be waited on by many servants who would offer me food I had never seen before and didn't know how to eat.' I mean, that's a notion about this city and about the life of members that could come from Mars."

• On the Democrats' future: "Rather than the immediate resumption of the political struggles, I hope that the president and the Congress can work to show some progress for the country. "There always is after every election of this kind estimates and judgments that the party that lost the election will not survive. But that would be the way he went out this week—nary a mean word for anyone. Not for the press who covered him, not for the voters who deposed him, not even for Newt Gingrich, his successor-in-waiting, who had sent him a terse letter requesting that he not destroy any official documents.

FOLEY'S FINAL DAY

The House Leader, Gracious in Defeat

By Kevin Merida
Washington Post Staff Writer

Tom Foley's final day as speaker of the House was a study in the art of graciousness. It was the way he went out this week—nary a mean word for anyone. Not for the press who covered him, not for the voters who deposed him, not even for Newt Gingrich, his successor-in-waiting, who had sent him a terse letter requesting that he not destroy any official documents.

"I thought the suggestion that we destroy any official documents was wrong." Foley is not yet dear. An adviser suggested that the former prosecutor might settle in for a while in big law firm, where he can make some money. Foley's only hint was that he would divide his time between the Spokane that he served in eastern Washington state and the other Washington in which he amassed his power. He did not rule out future public service, suggesting that he might be "able to have an opportunity to represent the United States abroad." But that would be down the road.

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The two are supposed to do lunch next week. What about Gingrich's letter? Foley is asked, "I didn't think that was necessary. But everybody's go-

See FOLEY, F4, Col. 1
He added: "I think sometimes when you get into political campaigns, politi­cal rhetoric that reinforces what people already believe is easier to carry forward than if you're trying to change what people believe."

He said, for instance, that even though Congress instituted fiscal changes such as a freeze on discretionary spending through 1998, little credit was given for it. "One member told me that he could not convince people in his business community that we had done that," Foley said. "So he carried around small exc­errepts from Time and Newsweek, where they explained the frustrations of federal agencies which were faced with this cap. . . . Then reading it from Time and Newsweek, some­times people would accept it."

Clearly Foley is not of the Sound Bite Generation.

And that explains, in part, the trou­ble many House Democrats had with him, even as they cheered his best quali­ties—his decency, intellect and commitment to public service.

"He was extremely bright, very thoughtful," mused a junior Democratic­congressman who admires Foley. "But in the last year he was disen­gaged. You don't feel he was leading. Whether it was health care or any of the other issues, he was disconnected, not fighting. It's interesting. Was he tiring? Was he bushed? Maybe it was that he was in the institution when there was more comity. He is not of this world of Rush Limbaughs and all the talk shows, and it hurt, es­pecially when you have a leadership on the other side willing to use every tool at their disposal.

"He was part of a world of gentle­lymanly, cordial, bipartisan relation­ships. Maybe he just couldn't adjust."

Among Democrats in their season of hell, Foley's political death was per­haps the most painful. He was the first speaker to be ousted by the voters in 132 years, since back when Abraham Lincoln was president.

The guy who did it, George Nether­cutt, a 50-year-old Spokane attorney, has his own explanations.

"He's 65 and been here 30 years," said Nethercutt, after posing for a freshman class picture this week on the Capitol steps. "The system that he was a part of for 30 years kind of col­lapsed on him, and he got caught in it."

Some Democrats put Foley right behind President Clinton on the list of ineffective Democratic leaders who have helped cause the party's demise.

But Rules Committee Chairman Joe Moakley (D-Mass.) says not: "He just happened to be at the helm when the ship went over the falls."

Foley's defeat was telegraphed, on a privileged private wire, for two years. "Our polls didn't show we were in good shape since a year ago Sep­tember," said a Foley confidant. And in the last three weeks of the cam­paign, even as Foley kept smiling, his prospects were bleak. The campaign's own tracking surveys never had the speaker reaching 50 percent of the vote in his 5th Congressional District, where Clinton's popularity was at 27 percent.

Of course, there were many other factors—especially Foley's constitu­tional challenge to a state initiative on term limits and his vote to ban assault weapons, factors that brought an explosive amount of outside and interest-group influence into his district.

In the final hours before his defeat, after spending $2 million to save his seat, Foley had that resigned look that the inevitable was at hand. Though he went home at 3 a.m. without conced­ing—not all the returns had been counted—everyone in the Foley camp knew. "It was done," said the confi­dent.

But today, Foley prefers to look for­ward and not back.

"I'm at peace with the election," he says. "We ran what I thought was a good campaign. I've taken positions that I think were perhaps damned as a political sense, but I don't have any regrets taking them. I used to say that since back when the floor and positions you take in Congress is that when you consider them at election time you're able to say with some satisfaction that you can still vote for yourself."

"One farmer was quite in my dis­trict as saying it was foolish to vote against me, that it didn't make any ra­tional sense, it was like shooting your­self in the foot. And he was going to do it."

"It can happen," he added "I'm sor­ry it happened. But I think it's obvi­ously a message of dissatisfaction, of unhappiness with the direction in which the country has gone."
Pearl Harbor’s Last Casualty

Scholars Urge Posthumous Clearing of Admiral’s Name

By Ken Ringle

Three scholar-historians of the Japanese attack on Pearl Harbor urged yesterday that the United States mark the 50th anniversary of the end of World War II next year by rehabilitating the Pacific Fleet commander blamed for the Dec. 7 disaster.

Citing what they described as newly declassified evidence unearthed in the National Archives more than half a century after the attack, the three said the stain on the name of Adm. Husband E. Kimmel deserves to be removed in the interest of both history and the nation.

“I have always believed history is a constant dialogue between the present and the past,” said John Costello, author of a new book on the first American battles of World War II. “The case against Adm. Kimmel deserves to be reopened so that dialogue can continue.”

Many historians have long been troubled by what happened to Kimmel, who was found guilty of dereliction of duty in 1944, and previous efforts by his family to have his case reopened have been thwarted.

Kimmel partisans have maintained for decades that the admiral was railroaded after Pearl Harbor—made a scapegoat for intra-service squabbling, bureaucratic bungling and political decisions that denied him both the cryptographic intelligence necessary to evaluate Japanese intentions and the aircraft to thwart them.

Kimmel died in 1968, however, and previous efforts by his family to have his case reopened have been turned down by the Navy.

Most of the evidence cited at the Archives yesterday was incremental rather than dramatic—the sort that extends an existing paper trail rather than steering it off in a sharp new direction. But University of Florida historian Michael Gannon said there is already enough to make a difference.

He unveiled a letter from former Chief of Naval Operations C.A.H. Trost, reversing Trost’s 1988 refusal to reopen the Kimmel case. After examining the new arguments, Trost wrote, “I believe such action is owed to the admiral, to his sons and to the Navy. No mistake should be allowed to stand in this sensitive matter, and I personally disavow my unwitting support of one” in the past.

Seated in the audience at the National Archives yesterday were Edward Kimmel, 73, of Wilmington, Del., and Thomas K. Kimmel, 80, of Annapolis, who have worked tirelessly for years to clear their father’s name.

“We think this is a good time to try again, with the war back in the news once more,” Edward Kimmel said later. “I think the new Congress might be favorably disposed.”

Costello and Gannon were joined on the Archives Theater stage by World War II submariner-author Edward L. Beach, who announced his own planned publication next spring of “an emotional rather than a factual” rearguing of the Kimmel case. The three agreed that there were blunders enough in the first American hours of World War II without blaming Kimmel for the losses at Pearl Harbor.

Costello argued that Pearl Harbor was vulnerable primarily because political commitments to England and the Philippines had left Hawaii with too few planes to mount a proper watch. And he pointed out, as have scholars and historians ever since the war, that Gen. Douglas MacArthur, then in the Philippines, was caught just as unprepared by the Japanese despite hearing of the Pearl Harbor attack, which had occurred eight hours earlier, yet never was reprimanded, as Kimmel was.

MacArthur’s entire air force was destroyed on the ground in, Costello says, “a far greater strategic disaster than Pearl Harbor . . . yet the general was allowed to redeem himself through continued command and victories later in the war. Kimmel was cashiered.”

In 1944, Gannon pointed out, an investigative board of naval officers exonerated Kimmel of the charges against him and recommended that his name be cleared. But its findings were overturned by Adm. Ernest J. King, then chief of naval operations, who later declared he never looked at the court record he reversed. Subsequent naval officials, civilian and military, have been reluctant to second-guess King’s decision.

“We hope to be able to start a movement in this country,” to assess both Kimmel’s case and the similar case of Lt. Gen. Walter C. Short, the U.S. Army’s Hawaiian commander during the Japanese attack, Beach told the Archives audience. “It’s not just a case of being fair; it’s a case of being truthful to history.”
What Youth Can Teach the News Media

T he other day I had lunch with three young men who are seniors at the University of Rochester in New York. They had participated in a study of how their generation is portrayed in newspapers and magazines, and three said that they were part of the study, the only part of the newspaper they read was the sports section.

The study gives a pretty good clue why. In many newspapers, the sports section is one of the few areas where the accomplishments of young people are celebrated. Look to the front pages and the local pages, and all too often the young are figuring only in violent dramas, achieving their moments of fame through major tragedies rather than through the small triumphs that make a successful and normal life.

The 19 students who took part in the survey examined five newspapers and three newsmagazines from Sept. 13 through Oct. 11 to see how 18- to 23-year-olds were covered. They looked at the Los Angeles Times, the New York Times, USA Today, the Buffalo News, the Democrat & Chronicle of Rochester, as well as Newsweek, Time and U.S. News & World Report.

The study, believed to be the first of its kind, was the brainchild of William Scott Green, dean of undergraduate studies at the university, and it was part of a course taught by Nancy Woodhull, a media consultant who has observed similar studies of how women are portrayed in the media.

The study’s working title had been “Presse Images of Generation X,” which the students swiftly rejected as unduly negative. They chose what they felt would be a broader and more upbeat description of their generation: Generation Next. These students, who are probably far more representative of their generation than the British writers who coined the X term, have little time for nihilistic labels stuck on them by the media.

In the observations and recommendations made in the study, the students did not quite call for a broader and more upbeat description of their generation: Generation Next. These students, who are probably far more representative of their generation than the British writers who coined the X term, have little time for nihilistic labels stuck on them by the media.

The students noted that youth were quoted far more often than young soldiers serving in Haiti about what they faced or the impact on their families. They suggested including people of ethnically diverse generations with representation of their generation.

They made the point that election coverage often focuses on people who aren’t in college. “If covered more of Five Days of Sick Leave Each Year—has enough time in case he or she gets sick.

The new law, PL 103-388, allows workers to use their own sick leave to take care of family members who are physically or mentally ill, as well as to help family members who are injured, pregnant or recovering from childbirth. It also can be used to take them to the doctor or dentist. The law defines a family member as a spouse or any individual related by blood or “affinity whose relationship to the employee is the equivalent of a family relationship.”

The new law legalizes what has been going on for years. Workers, especially single parents, often have been forced to call in sick when a child or family member needed care even though that was technically a violation of sick leave rules.

The new law also extends the benefit to part-time employees on a prorated basis.

March Buyout Surprise?

The hot item on the federal rumor mill is whether Congress will extend buyouts past their March 31 deadline. Agencies can now pay workers as much as $25,000 to quit or retire. The buyouts end March 31 for non-Defense agencies. The question is whether a “March Surprise” is real or fantasy.

Check this space Sunday.

Open Season Deadline

Federal workers have only 10 shopping days to pick their 1995 health plans. Workers and retirees here can choose from nearly 20 fee-for-service plans, preferred-provider options or health maintenance organizations. Many offer high and low options, and in some cases, the lower-priced option is the better buy. At 9 a.m. tomorrow on WUST radio (1120 AM), Walton Francis, author of “Checkbook’s Guide to 1995 Health Plans for Federal Employees.” will talk about the best—and worst—buys for people looking for single and family coverage and dental benefits, and for retirees with, and without, Medicare.

At 10 a.m., Ben Erdreich, chairman of the Merit Systems Protection Board, will answer questions about how the agency works and what kinds of situations it expects to deal with next year.

Maryland Health Seminars

Rep. Constance A. Morella (R-Md.) is sponsoring two health insurance seminars on Monday. The 9:30 a.m. meeting is at the National 4-H Center in Chevy Chase, and the 7:30 p.m. session is at the Nuclear Regulatory Commission in Rockville.

Gordon Brown, of the National Association of Retired Federal Employees; David Lewis, from OPM; and Francis will talk about the plans and answer questions.
Charles Krauthammer

The First 100 Days: A Hardball Agenda

Memo to Gingrich
Co-president for Domestic Policy
From: Krauthammer
Re: The First Hundred Days

(1) Use and abuse of the rules. You have a problem. During the campaign, you made two somewhat incompatible promises regarding reform of the rules of the House. One is to reform procedures to make them more democratic and permit the minority more say in legislation, even when they have the minority. The other is to do away with the House in cheerful Soviet Central Committee style. This is a very laudable goal. Unfortunately, it is not compatible with your second goal, which is to quickly enact the ambitious "Contract With America.

How to square the circle, Mr. President? Explain candidly to the American people that these two promises were both made in good faith, but that they are turning out to be in conflict for reasons that were not adequately foreseen. Indeed, you might say that having studied the dozens of speeches Democrats gave in the moonlight and the newspaper articles actually moved by their arguments. And that in order to avoid the deadly-same that the Democrats have amply demonstrated but America's way to the happy uplands of progress (have your staff consult the White House speechwriting office for appropriate language), you have decided to take steps to avoid this headache a second time, particularly at this crucial time in our nation's life.

Anougage that you will honor both reform goals as promised, but for introduction on day 101 of the 104th Congress. For the first hundred days when you need every procedural device to get things through the House, use the old rules, the ones that served the Demo­crats so well for the past 40 years. As soon as the substantive business of the contract is done, perestroika will dawn and the old rules will be put away in the back of history.

(2) Investigations. On Whitewater and the rest, go easy.

I understand that Republicans or eager for a bit of revenge after decades of Democratic persecutions ranged from the obscene (Iran­contra) to the fantastic (the 1980 October time, it warrants congressional investigation. Now but is not the time. Now it is a distraction. There is probably no stopping Al D'Amato in the Senate, but your own Jim Leach, an honor­able and scrupulous man, should be induced to hold off at least until mid or late '95. Once most of the Republican agenda has been acted upon, Whitewater hearings will have the ap­pearance not of reflexive vindictiveness but of legitimate government oversight that Demo­crats, to their discredit (you could replay a bit of the Gonzalez fiasco), refused to undertake.

And for the hardball players on your team unmoored by good-government arguments, you might point out the political benefit of delay. The later in '95 the hearings are held, the more damaging effect they will have on Clinton's reelection chances.

(3) Evenhandedness. You are going to cut welfare and try to end state-subsidized illegiti­mate births. A good idea, but will benefit all classes. But it won't be portrayed that way. Because it will be presented as a "war on the poor," you need to show a willingness to go after middle­class welfare as well.

A nicely symbolic start would be the elimina­tion of those welfare check writers for the intellectual classes, the National Endowment for the Arts and the National Endowment for the Humanities. The beauty of these cuts is the cultural side benefit that comes from strang­ling agencies that cannot—has by now been proven—be kept out of the hands of the academic left. The recently issued American and world history "standards," which turn polit­ical correctness into a federal mandate, are an object lesson: Federal "cultural" agencies are beyond redemption.

Zerong the first step, of course, does not bal­ance the budget. But neither does cutting welfare. These are not budget exercises but exercises in government reform. The point is to cut back both the reach of government and the pernicious social dependencies that over­reaching engenders. The point is to defile the rule and power of government or, in the catch phrase of the day, to reanimate government. It's your issue. Run with it.

Richard Stith

A Pro-Life Strategy

Earlier this year—before the trial and convic­tion of Paul Hill for the murder of a doctor who performed abortions—was the moment when the National Organization for Women called for a boycott of Pensacola, Fla., the scene of three such killings, unless that city ordinance.

A loquacious murderer would be hindered by such a city ordinance. The logic is as follows: If it is morally right as sharply chilled by FACE, however.

...tion of Paul Hill for the murder of a doctor who declared that the group's goal is "to stop the prohibition of antiabortion speech in front of its abor­ tion doctors. By producing new victims of vio­lence, those attacks distract attention from the violence done to the unborn child by abortion.

Strong arguments against using deadly force can be based on hope—that there are tangible ways to reach out with facts and help to women caught in crisis pregnancies. What hope that works within the legal system may move it toward a more inclusive ideal of human equality.

The writer teaches law at Valparaiso University in Indiana.
Stephen S. Rosenfeld

When Balkan Chickens Come Home to Roost

A question about NATO: If the house is burning down, should it be the job of the allies to be the first to follow the Alliance's embattling in Yugoslavia, then why are others from Central Europe still clamoring to get in?

Because, of course, Central Europeans—sitting in a historically stressful neighborhood—do not have the luxury of ignoring that they must do whatever they can to improve their future security, even if the prospects at any given moment do not look so rosy.

They can see more clearly than Americans do that one of the two large possibilities for the post-Cold War retooling of NATO—keeping the peace and maintaining stability throughout Europe—has been severely discredited in Yugoslavia. Unfortunately, the other possibility, which is reinforcing democratic tendencies in the Central Europe by bringing new states into the club of Atlantic democracies, has also been badly shaken.

Consider that successive American administrations of different parties determined that the United States had no vital interest that required it to put ground troops into Bosnia in the relatively safe role of peacekeepers. Then how could anyone expect a future administration to find a vital interest in sending ground troops into another state of the region in the event of tension or conflict? And, presumably, against a much more potent counterweight—Russia rather than Serbia?

Let there be no confusion about this hypothetical. NATO membership means near-automatic military aid when you're in trouble. If you're not guaranteed aid, you're out of the club. If you're not guaranteed aid, then an aggressor could sometimes figure he might get away with crowding you or taking a free bite—take advantage of instability.

This fact creates, in the present period of diminishing American overseas commitments, a wicked irony. If NATO were a less serious concern, then it might be true that it's good for its membership. But the certainty that adding a member equates with providing an inoculated security guarantee may not be the American taste for extending membership.

The result is a political dilemma. If NATO finally is not going to offer new security guarantees, then the whole discussion about the terms of extending membership becomes a cruel joke. It is a path that no responsible state—either the provider or the recipient of a guarantee—would want to start down unless it knew at the beginning how it would come out at the end.

This dilemma was latent before NATO's experience in Bosnia revealed for all to see the Western hesitation to make security commitments on new terrain. Now the dilemma is real: For a year or more, and to this very day, NATO has been moving toward a position that, if the Alliance is "successful," will bring it up against a wall. The West's dedication to integrating the new Europe and deepening the roots of Central European democracy eventually collides with its reluctance to provide new security guarantees.

In the glow of the collapse of the Berlin Wall, it was easy to succumb to a vision of a Europe moving ever more confidently into a pattern of mutual respect among democratic states, large and small. Yugoslavia woke most people up.

Unfortunately, Europe's ethnic and regional pull are not confined to Yugoslavia.

If NATO cannot succeed in tucking in other mature new states, then it becomes progressively harder to explain why there should be any more regard for NATO than there is for, say, the Rio Treaty.

The record of American and Western governments in Bosnia was, on the whole, never adequately performed—makes candor about the future of NATO essential at this time. Endgame must be pursued with open eyes. Its advocates have to make the best case that not just American sentimental interests but American security interests are involved.

Meanwhile, other paths must simultaneously be explored. Those only begin with the alphabet soup of military/political/economic organizations covering Europe. They go on to the incipient reappearance of a 19th-century European political dialogue on a balance-of-power theme. They must fold in a new 20th-century dialogue engaging Americans and Russians, but one that avoids reflexes of Cold War competitiveness and puts nationalisms to hard work, and it will take time to build a united Europe. The guiding word should be: no more deception of others or of ourselves.

William Raspberry

Our Declining Civic-Mindedness

I do not mean to insult the millions of Americans who, as individuals and members of small and large organizations, are engaged in problem solving. But it does occur to me that Americans are losing hold of the idea of citizen involvement in community problem-solving.

Worse, we don't seem to notice the loss.

The essence of what used to be called "civic virtue," in the days of its genuineness: town meetings, barn-raising, volunteer associations of all sorts. Today, the image of everybody pulling on his or her oar has given way to the image of a society run by automatic pilots.

The trick, we have come to believe, is that voting isn't enough. As long as we have the franchise, we're sure, the wheels will finally "get done." It really just used to be different—and not the way it is now.

"The image of everybody pulling on his or her oar has given way to the idea of a society run on automatic pilot."

I'm not suggesting—please!—that we've lapsed into a state of total apathy. The record of American and Western governments in the early 1990s—during the days of the pioneers. At least as long as the Kennedy years, Americans by the millions not only believed that change was possible but that they had a direct role in bringing it about. Those were the days of the Peace Corps and other government-sponsored interventions, yes, but also the time of massive citizen participation in direct problem solving. We voted, but we never believed that voting was enough.

What made it change? Dozens of things, not just these two among them: the men and women who succeeded in making headway on social problems ranging from civil rights to the environment turned their attention to legislation designed to institutionalize their success. Those things once resulted from the efforts of citizens working together, were consigned to government to bureaucracies. That makes sense there's no point in constantly reinventing the wheel. But institutionalization has the unhappy side effect of reducing opportunities for civic successes. A job-training program put together by community activists every job placement or promotion as a victory. A comparable program run by the government department views primarily in terms of its inadequacy.

At least one other thing has contributed to our declining civic-mindedness. Much of the decline in civic activity was led by men—housewives with the time to undertake all sorts of social causes and the influence to bring their families along. The expansion of women into the work place has had a negative impact on voluntarism—an civic activism.

I'm not suggesting—please!—that working wives ought to go back home, any more than I would suggest that government get out of the business of emergency disaster response or street cleaning or job training. My point is that the routine involvement of neighbors in solving community problems was a very good thing—and in more ways than we imagine.

Obviously, neighbors involved in the modern-day equivalent of barn-raising get some concrete things accomplished. Less obvious is that the effort also feeds the idea of neighborhood, strengthens communities, develops individual leadership and increases the ability of people to solve problems before they become crises. It is also a powerful teaching tool for educating young people in civic virtue.

Without absolvent government of any of its responsibilities to the commonplace, I think we have to find ways to re-engage ourselves in community. If the troubles confronting us today teach us anything at all, it is that voting isn't enough.

"The image of everybody pulling on his or her oar has given way to the idea of a society run on automatic pilot."

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Don't Send Armsto China

Secretary of Defense William Perry recently went to China to strengthen ties between the Pentagon and the People’s Liberation Army. Certainly, it is sensible to talk with China’s military leaders. The Clinton administration’s policy of “constructive engagement” with the Chinese is sound and prudent. Contrary to the demands of American business interests, however, it makes no sense to strengthen China’s military power.

Ever since President Clinton extended most-favored-nation treatment to Chinese imports, separating trade issues from human rights issues last spring, the relationship between China and the United States remains fragile. It will remain fragile as long as the Chinese government’s differences between the two countries—and most of these differences will not be resolved as long as China is governed by men hostile to the values and interests of most Americans.

Washington and Beijing remain far apart on human rights. China continues to imprison and torture men and women for their political and religious beliefs, for their opposition to official policies, and for their organizing efforts. It has reneged on offers to allow the Red Cross to inspect its prisons. China has determined to crush the movement toward democracy in Hong Kong, contrary to American hopes. American support for Taiwan, however tepid, angers Chinese leaders.

China continues to provide nuclear weapons to Pakistan and missiles to Iran, ignoring U.S. and Russian requests to desist. The Chinese continue to develop and operate nuclear weapons, separating for their political and religious beliefs, for their opposition to official policies, and for their organizing efforts. It has reneged on offers to allow the Red Cross to inspect its prisons. China has determined to crush the movement toward democracy in Hong Kong, contrary to American hopes. American support for Taiwan, however tepid, angers Chinese leaders.

China continues to threaten the stability of the world economy by its refusal to join the international financial system. China is a huge country with a huge economic base. It is a great power that mistreats its own people and that is contemptuous of our cultural values.

China also learned that forced coexistence does terrible things to our own society. In the 1930s and with the Soviet Union during World War II, it is a huge country with a huge economic base. It is a great power that mistreats its own people and that is contemptuous of our cultural values.

For the Record

From remarks by Drug Control Policy Director Lee Brown at a news conference in Washington Nov. 30:

In December I’m planning to visit China. My objective is to discuss with Chinese leaders my continuing concern about the heroin coming out of the Northeast Asia, a great deal of which unfortunately ends up on the streets in our country. In keeping with our bilateral memorandum of understanding on narcotics control cooperation signed back in 1987, I will urge greater interdiction and closer cooperation with China to analyze the counter-narcotics efforts, particularly concerning the direct threat posed to both China and the United States by heroin trafficking from Burma. Burma continues to be the major area that grows the opium poppy that results in heroin on the streets of the United States as well as other countries.

The Chinese people clearly recognize the potential threat, particularly along the border between Burma and China, where opium poppies now are being grown on the Chinese side as well, and there exist—an increase in the number of people who are addicted to heroin in China. So it’s an issue of mutual concern to the Chinese government and our government that I make my visit.

I would express my appreciation for China’s vigorous enforcement efforts, which last year seized over four tons of heroin. And we monitor their seizure; it looks like they’ll seize about the same amount for 1994. I plan to discuss with Chinese leaders the need for them to do all they can against the growing drug threat in the region and to commit even more resources against it.

Dec. 7: A Day for All to Remember

On Aug. 23, President Clinton proclaimed his support of approval on U.S. Congress Joint Resolution 131, which authorizes Dec. 7 to be designated a “National Day of Remembrance.” By this proclamation, now and forever on Dec. 7, the president will acknowledge that fact by urging all federal agencies by the American flag at half-staff. I hope citizens will be encouraged to do the same.

This public law, Number 103-308, comes nearly 53 years after the fact and after the personal testimony of a small number of Pearl Harbor survivors who had to overcome numerous bureaucratic hurdles.

To those few of us still alive who survived Pearl Harbor, the resolution means many things. It means first, that the U.S. government gives official recognition to that day of “infamy,” as President Franklin Delano Roosevelt described it the day after the attack in his request to Congress for a declaration of war.

It means that those young men who died there, many of whom still sleep entombed within the silent hull of the Arizona, are being remembered in the same way, and there exist—an increase in the number of people who are addicted to heroin in China. So it’s an issue of mutual concern to the Chinese government and our government that I make my visit.

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In his address on the morning of Dec. 7, 1991, to Pearl Harbor survivors, President George Bush, standing at the Arizona memorial, said: "Look at the water here, clear and quiet. . . . One day, in what now seems another lifetime, it wrapped its arms around the finest sons any nation could ever have, and it carried them to a better world. May God bless them and may God bless America, the most wondrous land on earth."

I believe that those survivors remaining today approve of Mr. Bush’s sentiments, and that while the term “infamy” may have appeared appropriate years ago, it should no longer be used.

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A Powerful Speaker?

HOUSE SPEAKER-to-be Newt Gingrich has created a stir by rezerving to himself all kinds of appointive and other powers that the Democratic speakers of the past third of a century have given up or lacked. Some people, perhaps not all that well disposed toward Mr. Gingrich anyway, have seen all kinds of dire consequences in the concentration of power, even for Republicans. Others, including some Democrats, have said it's about time—and they are right.

Powerful speakers are hardly a novelty. Though much of the population can't remember such a time, we've had them before, with good results as well as bad. The pendulum periodically swings from concentration of power to its dispersal and back again; the only constant is that every such change is said to be in the interest of reform. And it is reform, in the sense that each change reinvigorates the institution by correcting for past weaknesses, making it either more efficient or less autocratic. Mr. Gingrich and the members closest to him have now set a clear agenda for themselves in the form of their "Contract With America." He himself has named committee chairmen, and in three cases—Appropriations, Energy and Commerce and Judiciary—has jumped over senior members in favor of others whom he deemed better able to lead. The Republicans under his leadership propose to change the committee structure, cut back on staff and change the House rules—among other things, to require two-thirds votes for tax increases. It's true Mr. Gingrich has had the advantage thus far of leading a relatively united party—certainly by Democratic standards—and a caucus many of whose newer members especially are beholden to him. He also has already hit some patches of resistance and been forced to deal—over the jurisdiction of Energy and Commerce, for example. But those have been the exceptions.

Mr. Gingrich has not just made himself powerful in centralizing control of the House as he has. He has made himself—and the rest of the leadership and the party—more accountable. You could complain all you wanted about the Democratic leadership in the Congress just past. But the complaint in that case was not so much that the speaker and majority leader failed to exercise power as that they lacked it. That may be one of the reasons Rep. Gephardt was so easily reelected party leader. He can hardly be blamed for having failed to lead with greater force by the very people who refused to follow him. Besides, he's an able man—and maybe now the Democrats, too, will unite a bit. Somewhere there must be a motto that a party that doesn't vote together loses separately. Plainly, that's Mr. Gingrich's view.

The City's Other Crisis

AS TOP District officials struggle to free the city from its fiscal morass, Stephen Rickman, the director of the District's Office of Emergency Preparedness, has been quietly tackling another deadly problem. He's engaged in an uphill battle to get 5,000 guns off city streets. Of all the obstacles encountered thus far, the most formidable, by far, is fear, followed by misplaced loyalties.

Soon after Mr. Rickman and his team launched their first presentation on the need to report illegal gun possession to a police hot line, he said it hit him: Many in his D.C. Street Academy audience were scared to death of telling authorities about someone known to be packing a weapon. That was in late August. Since then, the team has spoken to groups in two other locations: a community meeting in the Carver Terrace neighborhood in Northeast and a student gathering this week at McKinley Tech High School, which was covered in yesterday's Post. They met the same reaction at each location: Young people, all too familiar with gun violence and its terrible toll on their families and friends, nonetheless opted to live with their fears rather than risk being branded a snitch for calling a police hot line. Even if the caller was paid $100 for an anonymous tip, most said they wouldn't do it. Said a McKinley student, "That person who is snitching won't live to spend that $100." And besides, said another, in a sad and sobering commentary on some young people's sense of morality, "I'm not telling on my friends."

The fear and values that would lead students to protect rather than help authorities stop gun-toting youths who threaten their community are what Stephen Rickman says he is trying to change. In audience after audience, he asks the question: "If a person is out there and you know he's going to shoot somebody, and you know that person is dangerous to someone in your neighborhood, you know he could [also] shoot your mother, your father, your sister, your brother. Shouldn't you be allowed to walk in your neighborhood without fear of being shot?" he asks.

"Isn't that your right?" The correct answers, in terms of hot line calls and gun seizures, are coming in slowly: 15 calls a month, three guns and one arrest. Mr. Rickman says that despite the early resistance, he believes he can, with community support, get through to the kids. They can always get through to the gun hot line number. It is 1-800-673-2777.
Reinventing Rwanda

THE WEST, or the part of it ready to take up the daunting task, had three choices in calculating how to put post-slaughter Rwanda back together. It could wring its hands—tempting when you look at the problems, but a bad idea. It could associate itself with the Hutu government in exile (in Zaire), which speaks for a Rwandan majority but which is forever tainted by the killings—another bad idea. Or it could support the untested minority-Tutsi military government set up by the winners of the war. This was the choice, made more by Washington, less by Paris. It was somewhat arbitrary, but no other choice could have been made.

Rwanda emerged from the slaughter with a half-million or more of its citizens dead and millions exiled or otherwise uprooted and with its economy and civil structures simply gone. Now it has a struggling military-appointed government. Neither the president nor the prime minister is a Tutsi, and the latter, an earnest Montreal-educated businessman named Faustin Twagiramungu, who has just been in Washington, is no fanatic, but an opposition figure who is no apologist for the Rwandan Patriotic Front (RPF).

There is no consensus yet on whether Hutu-Tutsi reconciliation is possible and how it might best be pursued. International peace-keepers to secure the camps in Zaire and escort refugees home seem essential, and remote. At 15 percent before the carnage, Tutsis may now be barely half that: a narrow base that makes the RPF hesitate at the notion of elections.

How does one reinvent Rwanda? In Washington, Mr. Twagiramungu did the dealing that will make up the $9 million in arrears owed the World Bank and unlock $150 million or more in project assistance and credits. The United States on its own is presenting an early $12 million aid package. One item is a half-million dollars for an international war crimes tribunal, though early trials could run up against the hate and fear still at large in the land. Washington set a useful example by sending an ambassador back after the war and by sponsoring the war-crimes and other human rights initiatives. If the French can loosen up a bit, the European Union, a major provider of emergency aid, has development money ready for Rwanda too.

Call all this peanuts. It’s not unrelated to Rwanda’s absorption capacity and to the small scale of Western attention to Africa as a whole. Americans have only a slight bilateral interest in Rwanda, but a country that has the devastation it has can be ignored only at the common shame.

Bottlenecks and Regulation

THE FOOD AND Drug Administration has taken much abuse in recent years for what critics call inordinate delays in certifying new medical devices as safe. Like critics of other types of regulation, these have been split between those who believe the FDA is discharging its regulatory duties badly and those who believe it shouldn’t be performing those duties at all. This question may never be resolved to anyone’s satisfaction, but the agency, in sharply reducing its backlog and streamlining its administrative process for applications, has at least made the argument clearer.

By assigning troubleshooters and making the bottleneck a priority, the FDA says, it reduced its stack of pending applications for safety clearance from 2,000 a year ago to 500, and the 190 days it took to process 95 percent of applications is now down to 50 days. Simpler devices, such as those not for actual use or implantation in the body, are on a faster track than those that really must be checked for long-term, unforeseen hazards. (The latter point is underlined by the long-running breast implant mess, in which sloppy safety studies early on were largely to blame for the confusion that reigned at the FDA’s hearings.) The need for care in clearing new devices is sharpened by pressures toward cost containment in medicine and surgery generally, which, as the New York Times recently reported, include pressure on physicians to use new and more inexpensive versions of tested hip-joint replacements and the like.

There’s always a balance to be struck—or struggled for—between this need for safety and the countermanding pressure to make available to physicians new devices that can save lives but may have only a few hours or minutes in which to do so. Real vigilance is needed if there is to be even a hope of satisfying these competing and urgent demands. Administrative messes and regulatory bottlenecks can only fuzz the continuing effort to find that balance.

THE WASHINGTON POST FRIDAY, DECEMBER 2, 1994
By Lois Romano

The Source Interview

Watts, High On the Hill

J.C. Watts became a Washington darling even before the last vote was counted anointing him a congressman from Oklahoma. He is a rare bird indeed. As a one-time college football star, the first black elected to statewide office in Oklahoma and one of only two black conservatives in Congress, Julius Caesar Watts Jr. is someone the Republicans are eager to showcase. Newt Gingrich has already let it be known that he plans to give Watts a high profile. And just five days after the election, this freshman-elect was asked to give the GOP response to President Clinton's radio address. Almost unheard-of.

"I really don't feel any pressure one way or the other. I am what I am. I didn't become a conservative just to please the Republicans," he tells us. "I left this way even when I was a Democrat." "This way" is a world away from almost all of his liberal Democrat black Hill colleagues. After making no apologies for abandoning the party that carried the black vote for 16 years, and he produced more voters for Democrats in 1986 than ever before, Watts was raised in Eufaula, Okla., and attended OU on a football scholarship, ranking him 75 and broken down, and all they ever want to change all that. Watts, 37, arrived in town with his 72 other new GOP colleagues from for an orientation. He says no one from the Black Caucus had called him, and, truthfully, he didn't sound all that enthusiastic about joining the overwhelmingly Democratic group. (Congress's other conservative black, Gary Frank, is now a full participant after quite a tussle last year with the group, which initially didn't want him in critical meetings.)

Watts was raised in Eufaula, Okla., and attended OU on a football scholarship, where he led the team to Big Eight championships and victories in the 78 and '86 Orange Bowls. He played some pro ball in Canada and later owned a real estate firm and a petroleum marketing company. He was elected to statewide office in '86 as head of the corporation counsel's office, which regulates utility companies. And he has no intention of abandoning his Oklahoma home. He has rented a little apartment on the KD, but will return to his house, Franks, is now a full participant after quite a tussle last year with the group, which initially didn't want him in critical meetings.)

The Source Interview

Cindy & Richard: Yup, Kaput

In May, the couple—married three years ago—took out a full-page ad in the London Times claiming that all was well, but the rumors persisted and Gere was recently linked in tabloids with a young blond model. They didn't announce the separation sooner, said Crawford spokesman Annett Wolf, "because they were trying to work things out, and they're still trying to work things out." Wolf added that they have no plans at this time to divorce.

By G.B. Trudeau

DOONESBURY

By Lois Romano

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What's News

Business and Finance

THE WORLD-TRADE pact was approved by the Senate in a 76-24 vote. The GATT accord cuts tariffs globally by roughly 40%, extends intellectual-property rights and tightens rules on royalty payments and trade in services. The accord still needs to be ratified by a number of countries, many of which were waiting for the Congress to act before voting on the accord.

Orange County, Calif., said the value of its investment fund has dropped by an estimated $1.5 billion as rising interest rates have badly hurt its highly leveraged portfolio, which has invested heavily in derivatives.

Chrysler increased its dividend by 60%, announced a $1 billion stock-buyback program and loosened its shareholder-rights plan, responding to investor Kirk Kerkorian's demands that the company move to boost its stock.

The economic expansion shows no signs of slowing down. Manufacturing surged in November to its strongest level in 10 years, according to the National Association of Purchasing Managers' index. And personal income and consumer spending gained in October, as did construction spending.

Chemical Banking moved to slice costs and lift its stock price, announcing it will cut 2,700 jobs and take a $260 million pretax charge in the fourth quarter. It also plans to shed assets.

Retailers rang up modest sales gains in November, with healthy increases over the Thanksgiving weekend helping to offset a slow start. Analysts continued to project gains of 6% to 8.5% for the holiday season.

Whirlpool said the Justice Department is investigating its sales and pricing practices as well as those of some other appliance makers.

Eli Lilly will invest up to $40 million in Autolimmune Inc.'s "oral tolerance" treatment for juvenile diabetes, the biggest bet yet on a new technique for treating autoimmune disorders, including rheumatoid arthritis and multiple sclerosis as well as diabetes.

Stock prices fell, hurt by declining bond prices and growing concern about interest rates. The Dow Jones Industrials slid 38.36 to 3708.87.

World Wide

BOSNIAN SERBS KIDNAPPED more U.N. troops and gained ground near Bihac. Bosnian Serb units crossed into Croatia and seized seven U.S. peacekeepers from an observation post, the U.N. said. The Serbs also continued their squeeze on the Bosnian government, denying U.N. requests to bring supplies into the town.

In Brussels, Secretary of State Warren Christopher hopes to get formal approval today from France, Britain, Germany and Russia for a new diplomatic initiative in Bosnia.

CLINTON SOUGHT a $25 billion increase in defense spending.

The president called for the relatively modest $25 billion increase over six years to maintain the fighting readiness of the nation's shrinking post-Cold War armed forces. In addition, Clinton will ask for at least $2 billion to pay for "unanticipated operations" this year in Haiti, the Persian Gulf and elsewhere. Republican lawmakers may press for even greater defense increases. (Related article on Page A16)

Russia's foreign minister stunned a NATO meeting by refusing to sign new partnership agreements with the alliance. Kozyrev was upset over a planned study by NATO on the mechanics of preparing for East European countries to enter the Western alliance. (Article on Page A6)

Webster Hubbell agreed to plead guilty to two criminal counts stemming from allegations that the former special counsel improperly billed his former law firm and clients for personal expenses. (Article on Page A16)

The Federal Election Commission said it approved new regulations cracking down on the use of campaign funds to pay for a political candidate's personal expenses. (Article on Page B6)

Ernesto Zedillo took the oath of office as Mexico's president, promising an "in-depth" reform of the nation's justice system. He declared, "Today more than ever, Mexico must be a country of laws," and added, "That is what everyone, everywhere, is calling for." (Article on Page A6)

Italy's prime minister backed down on key aspects of his pension-reform package. Berlusconi reached an accord with unions by agreeing to postpone passage of long-term structural cutbacks in pensions until June.

A faculty vote is due tomorrow at Harvard Business School to decide whether the M.B.A. curriculum should be revamped to require incoming students to master basic writing and math skills before they can begin taking classes. (Article on Page B2)

An independent counsel will bring no criminal charges concerning the search of Clinton's passport files during the 1992 presidential campaign. Joseph DiGenova said his report will exonerate former Bush administration officials.

A Philippine inter-island ferry collided with a freighter in Manila Bay and sank before dawn today. The ferry carried about 100 people, and initial reports said at least half of the passengers were rescued.

Britain invited the IRA's political wing to peace talks, three months after the group called a truce in its violent campaign to oust the British from Northern Ireland. Clinton named retiring Sen. Mitchell to serve as an adviser on economic initiatives in Ireland.

The PLO leadership assumed control of health and tax systems in the West Bank, broadening Palestinian autonomy there. Meanwhile, Syria's Assad said Israel is making impossible demands in peace talks.

An unnamed Arnie rocket failed after liftoff in French Guiana, sending a $150 million American communications satellite plunging into the Atlantic Ocean, according to space officials.

Alcohol-related traffic deaths fell by one-third in the past decade as states raised their drinking ages and the public grew more aware of the problem, the Centers for Disease Control and Prevention said.

The securities industry proposed a plan that would prevent investors from getting data on disciplinary cases and customer complaints against brokers until cases have been decided. (Article on Page C1)

A GM joint venture plans to begin volume production next year of a battery for electric cars, a sign that GM is moving to meet a California deadline for mass-produced electric cars. (Article on Page B4)

Woolworth is wooing Roger Farah, the former president of Macy's, to become its chief executive officer. (Article on Page B7)

Markets

Stocks: Volume: 295,918,680 shares. Dow Jones industrials 3708.87, off 38.36; transpor-

tation 1311.04, off 12.35; utilities 177.94, off 2.56.

Bonds: Lehman Brothers Treasury index 5088.94, off 8.91

Commodities: Oil $17.82 a barrel, off 23 cents. Dow Jones industrials index 151.31, up 0.67; spot index 144.80, up 0.52; Dollar: 99.35 yen, up 0.45; 1,570 marks, up 0.005.
A Special Weekly Report From The Wall Street Journal’s Capital Bureau

CLINTON WILL SWITCH policy to admit some Cubans, amid protest fears.

The administration is set to announce that for "humanitarian reasons" it will allow into the U.S. what could be thousands of Cuban children and their parents now held at the Guantanamo Navy base. The move is prompted in part by worries that demonstrations by some Cuban-Americans could mar Clinton’s hosting of next week’s hemispheric summit in Miami.

U.S. officials say the Cubans will be admitted only on a "case-by-case" basis. But Cuban-Americans plan to keep pressing until the 23,000 Cubans on Guantanamo are in the U.S. The next step, says Democratic Rep. Torricelli, will be to let the Cuban refugees apply directly for visas rather than from Havana, as called for in the U.S.-agreement with Castro.

Some insiders worry that any change in the deal could cause Castro to cry foul and unleash another wave of boat people.

BOSNIA WITHDRAWAL-planning moves into high gear at the Pentagon.

Joint Staff planners now regard an evacuation of U.N. peacekeepers from Bosnia as inevitable. They expect a major role for the U.S. military in the NATO operation that would help the troops get out. At least one U.S. Army division would be tied up by the operation for several months.

An air evacuation is ruled out, partly because U.N. forces want to take as much equipment as possible. A short land route includes dozens of vulnerable bridges and tunnels. "It’s a logistical nightmare," says one Pentagon official. Planners worry that resentful Muslims could fire on the withdrawing troops—and their U.S. protectors.

CLINTON SEeks advice from all over on how to patch up his presidency.

He meets with cabinet members. Agency staff chiefs and White House politicos discuss ways to boost Clinton’s appeal, including dealing with character questions. Most of Panetta’s White House staff changes are put on hold except for one: Dee Dee Myers is said to want to leave early next year; the State Department’s Michael McCurry probably will replace her as press secretary.

The White House wants to pick a new Democratic Party chairman soon. William Daley of Chicago is a reluctant candidate as some argue against Oklahoma Rep. Synar because he was a loser in the fall. Clinton aides Doug Sosnik and John Emerson vie to be White House political director, while Harold Ickes may take a top post at the re-election committee.

ON THE JOB: Dole seems to decide that he will not make the most of a 1996 presidential bid by staying as majority leader and making the GOP Senate work; "He knows he needs to legislate," says one friend. Party regulars speculate that some governors—like Weld of Massachusetts, Thompson of Wisconsin or Wilson of California—will be at least favorite-son candidates.

SUPREME ODDS: The GOP control of the Senate raises chances Clinton would pick Appeals Court Judge Jose Cabranes if there’s a Supreme Court vacancy. New Judiciary Chairman Hatch has praised Cabranes, a moderate. Liberal choices like Solicitor General Drew Days are the losers.

CASHING IN: The National Committee to Preserve Social Security uses the Kerrey-Danforth entitlement commission to fuel its direct-mail fund raising. Warning that Social Security cuts loom, it asks for donations of $10 or $25 or more and for postcards to be sent to Sen. Kerrey and Danforth. More than 150,000 seniors respond.

BEAM IT UP! The GOP takeover of Congress bodes well for the $30 billion space station. Gingrich is a big booster, once comparing killing the project to canceling Columbus’s voyage. But some other Republicans, who would rather cut the budget, hope to recast the space station as a Clinton project.

DEMOCRATS SCRAMBLE for fewer, seats on committees in the GOP House.

Committee spots will be ever scarcer because the panels also will be cut in size by the victorious Republicans. Five incumbent Democrats could lose seats on Ways and Means; 10 on the Appropriations Committee.

Women and minority lawmakers are the most vulnerable because of low seniority.

In the Senate, new GOP senators press for stepped-up legislative action to match the pace promised by incoming House Speaker Gingrich. "We think we ought to hit the ground running," says Maine’s Olympia Snowe. Missouri’s Ashcroft says term limits can’t be brushed aside.

The House GOP leadership says there will be no severance pay for hundreds of doorkeepers, clerks and administrative staff members faced with layoffs at the end of the Democratic Congress.

MINOR MEMOS: If Gingrich comes to Texas, "he should bring a body guard," says the Associated Conservatives of Texas, which quickly adds in a press release that the statement "is nothing more than a stupid joke." . . . Critics of the moderate Democratic Leadership Council joke that after the elections, DLC stands for "done lost completely." . . . Asked by The Hill newspaper what book he would suggest that new lawmakers read, Virginia Rep. Billey says, "All I Really Need to Know I Learned in Kindergarten."
Major Shifts in Trade
Are Ensured as GATT
Votes on Pact to Slash
Tariffs 40% Should Spurs
Global Economic Activity

**Politics and the Middle Class**

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**A Trade Legacy**

Victory came because Mr. Clinton invested his political capital in striking a deal that won bipartisan support from a wide range of industries, proving he can work with Republican foes on crucial issues. With last year's North American Free Trade Agreement, GATT approval does establish an open trade that should lead to approval by other countries.

But the drive to liberalize world commerce will continue, mainly on a regional basis. Expanded international trade has been the engine of American prosperity since the end of the Second World War.

**Outlook for Business**

From selling more ketchup in Japan to cutting disks.Among likely losers: workers in the apparel industry, who delivered decisive Republican votes to the anxious middle-class workers by placating fretful voters who fear freer trade, a higher minimum wage and tax cuts. The administration argued that the GATT accord represents the triumph of a liberalization with America's biggest economic rivals in Asia. Next week he goes to Beijing and South Korea - committed themselves to opening their economies to imports, investments and trade in services. Exports all over the world should benefit, along with big agricultural interests and producers of books, software and compact disks. Among likely losers: workers in the textile and apparel industries in high-wage countries.

**A Trade Legacy**

The agreement approved yesterday, which was negotiated by 124 nations under the auspices of the General Agreement on Tariffs and Trade, will slash tariffs by 40%, cut subsidies globally, expand protection of intellectual property and set rules for increasing foreign trade in services. Exports all over the world should benefit, along with big agricultural interests and producers of books, software and compact disks. Among likely losers: workers in the textile and apparel industries in high-wage countries.

Apart from its particular provisions, the GATT accord represents the triumph of free-market economies. Countries that only a decade ago hid behind walls of high tariffs and trade barriers, like Argentina, Thailand, South Korea - committed themselves to opening their economies to imports, respecting foreign copyrights and, albeit haltingly, liberalizing rules for foreign investors. Meanwhile, China, Russia, Taiwan and 13 others are clamoring to join the newly established World Trade Organization, which is to supersede the GATT bureaucracy on Jan. 1. For the signatories, the agreement helps look in reforms and ensure that they will pursue market-oriented economies.

"GATT confirms the fact that a number of countries made decisions to move toward liberal policies," notes I.M. Destler, director of the University of Maryland's Center for International and Security Studies. "GATT prevents backsliding. To turn around, countries would have to reject an international regime and a set of commitments."

But while Washington has chosen the course of GATT, observers are divided over how to placate fearful voters who fear freer trade might cost them their jobs. Many of these voters have watched their earnings decline in the past decade. They believe they will become increasingly integrated into a global economy. And their plight is likely to be a critical political and economic issue over the next two years.

"Why don't they want to protect the American workers?" asks Mr. Carter, the chairman of the AFL-CIO's industrial unions. "These trade issues happen, the companies move offshore, and you say: 'Where do I go?'

**Capital Gains**

The GATT debate foreshadows a nasty fight over reducing taxes on capital gains, that is because Republicans who voted for the Clinton-backed GATT budget waiver are sure to cite this as precedent in the ongoing tax battle. The Senate Bill would have required raising taxes or reducing spending to offset revenue losses from capital-gains tax cuts. The administration argued that the waiver made sense because lower tariffs mean more trade and more economic growth and, in the long run, more taxes for the Treasury.

But the same argument can be made to justify cutting capital-gains tax cuts. The administration has structured carefully, such a cut can raise money for the government. They argue by promoting savings, investment and economic growth. The Democrats dismiss such arguments and brand a capital-gains tax cut a break for the wealthy.

The incoming House GOP leader, Richard Armey of Texas, calls a capital-gains tax cut "the single most powerful thing you've got" to spark creation of high-wage jobs through capital investment. His Democratic counterpart, Richard Gephardt of Missouri, offers a radically different prescription for a 1990s "crisis in the economy" akin to the Depression: a middle-class tax cut, a higher minimum wage, new infrastructure spending and job-training incentives for corporations. "I'm not optimistic" about finding a middle-ground, Rep. Gephardt says.
The Rules Change: Major Shifts in Global Trade

Are Ensured as Senate Gives GATT Final Approval

**Vote on the Budget Waiver for GATT**

The 68-32 roll call by which the Senate waived budget rules Thursday in order to proceed with the GATT vote. On this vote, a "yes" vote was a vote to waive the rules and a "no" vote was a vote not to. Voting "yes" were 37 Democrats and 31 Republicans. Voting "no" were 17 Democrats and 15 Republicans.

Alabama: Helton (D) No; Shelby (R) No.
Alaska: Murkowski (R) No; Stevens (R) No.
Arizona: DeConcini (D) Yes; McCain (R) Yes.
Arkansas: Bumpers (D) No; Pryor (D) Yes.
California: Boxer (D) Yes; Feinstein (D) Yes.
Colorado: Brown (R) No; Campbell (D) No.
Connecticut: Dodd (D) Yes; Lieberman (D) Yes.
Delaware: Biden (D) Yes; Roth (R) Yes.
Florida: Graham (D) Yes; Mack (R) Yes.
Georgia: Cowdell (R) Yes; Nunn (D) Yes.
Hawaii: Akaka (D) Yes; Inouye (D) Yes.
Idaho: Craig (R) No; Kempthorne (R) No.
Illinois: Moseley Braun (D) Yes; Simon (D) Yes.
Indiana: Coats (R) Yes; Lugar (R) Yes.
Iowa: Grassley (R) Yes; Harkin (D) No.
Kansas: Dole (R) Yes; Kassebaum (R) Yes.
Kentucky: Ford (D) No; McConnell (R) Yes.
Louisiana: Breaux (D) Yes; Johnstone (D) Yes.
Maine: Cohen (R) Yes; Mitchell (D) Yes.
Maryland: Mikulski (D) Yes; Sarbanes (D) Yes.
Massachusetts: Kennedy (D) Yes; Kerry (D) Yes.
Michigan: Levin (D) Yes; Dingell (R) Yes.
Minnesota: Durenberger (R) No; Wellstone (D) Yes.
Mississippi: Cochran (R) Yes; Smith (R) No.
Missouri: Bond (R) Yes; Danforth (R) Yes.
Montana: Baucus (D) No; Burns (R) No.
Nebraska: Exon (D) No; Kerrey (D) Yes.
Nevada: Bryan (D) No; Reid (D) No.
New Hampshire: Gregg (R) Yes; Smith (R) No.
New Jersey: Bradley (D) Yes; Lautenberg (D) Yes.
New Mexico: Bingaman (D) Yes; Domenici (R) Yes.
New York: D'Amato (R) Yes; Moynihan (D) Yes.
North Carolina: Fannell (R) No; Helms (R) No.
North Dakota: Conrad (D) Yes; Dorgan (D) No.
Ohio: Glenn (D) Yes; Metzenbaum (D) No.
Oklahoma:茵white (R) No; Nickles (R) Yes.
Oregon: Hatfield (R) Yes; Packwood (R) Yes.
Pennsylvania: Spector (R) Yes; Wolford (D) Yes.
Rhode Island: Chafee (R) Yes; Pell (D) Yes.
South Carolina: Hollings (D) No; Thurmond (R) No.
South Dakota: Daschle (D) Yes; Pressler (R) No.
Tennessse: Mathews (D) Yes; Sasser (D) Yes.
Texas: Gabrielson (R) Yes; Hutchison (R) Yes.
Utah: Bennett (R) Yes; Hatch (R) Yes.
Vermont: Jeffords (R) No; Leahy (D) No.
Virginia: Robb (D) Yes; Warner (R) Yes.
Washington: Gorton (R) Yes; Murray (D) Yes.
West Virginia: Byrd (D) No; Rockefeller (D) Yes.
Wisconsin: Feingold (D) Yes; Kasten (R) Yes.
Wyoming: Simpson (R) Yes; Wallop (R) No.

Source: Associated Press

Mr. Clinton has a strong incentive to find a compromise because some senior White House advisers are beginning to worry about the political costs of his free-trade commitment. Administration officials are seeking ways to address the fears of middle-class workers. A strong, growing economy is clearly part of the answer. Some administration officials believe it is most of the short run. Even if Congress were willing to comply—and it probably won't—the administration's list of affordable options that might actually do something for working-class wallets and spirits is painfully short. Labor Secretary Robert Reich has made some headway in his internal campaign for middle-class tax breaks crafted to encourage workers to get more education and training. The notion is to offer a distinct—and cheaper—alternative to the Republican $500-a-child tax break. It also has the virtue of encouraging the only thing that might actually boost workers' wages and productivity in the long run. The Treasury has reservations, however, fearing that abuse of such tax breaks might be too widespread.

For their part, many traditional members of Mr. Clinton's party fear their "New Democrats" may be a salmon swimming upstream," argues that "there's an important, critical piece" for federal spending to "repair workers who are dislocated, particularly because of action by their government." Meanwhile, the centrist Demo-

ocratic Leadership Council plans next week to propose scrapping those very programs and using the money for training vouchers that would amount to a "GI bill for American workers."

**Elements for Compromise**

The GATT voting itself showed that a Democratic White House and GOP legislators can work together—at least to the extent that the White House promotes issues dear to Republicans. And amid the partisan rhetoric, there are other elements for compromise on measures to enhance economic opportunity. Rep. Goodling and his Senate counterpart, Nancy Kassebaum of Kansas, applaud the thrust of Secretary Reich's re-employment Act to streamline the federal crazy-quilt of 156 job-training programs, but would consolidate them even further. Though he wants to reduce the $25 billion now spent on those programs, Mr. Goodling thinks Washington can still deliver better service.

Sens. Sam Nunn (D., Ga.) and Pete Domenici (R., N.M.) have an even more ambitious bipartisan initiative in mind: junking the income tax and replacing it with a consumption tax that rewards savings and investment. "We will never solve the problem of economic unease with the current system, Mr. Domenici argues, adding, "The public is really looking for very bold things."

There seems little doubt about that—or about the sense of urgency that many officeholders feel to respond. Political figures from Ross Perot to Jesse Jackson have raised the prospect of forming third parties to appeal to the volatile mass of disaffected Americans. These folks want to know: "What are you doing for me?" " says Gerald Austin, an Ohio-based Democratic consultant who managed Mr. Jackson's 1988 presidential campaign. "The 1990s voter is not willing to give anybody more than two years to perform."

"There's an unparalleled amount of political alienation in this country," warns Ron Blackwell, chief economist of the anti-GATT Amalgamated Clothing and Textile Workers Union. "Will Americans tolerate an indefinite decline in their living standards? Or will they act politically?"

Bob Dole and David Wesel contributed to this article.
After the Initial Ardor, China and Foreigners Argue About Money

Mainlanders Assault Swindles; Overseas Investors Gripe About Arbitrary Policies

It's No Hamburger Heaven

The honeymoon between China and foreign business is ending. After a lavish romance in which China was the darling of world investors, a spate of discord and misunderstanding is souring relations. Breaking precedent in China, people are even recruiting lawyers to take their problems to court.

By Wall Street Journal staff reporters Marcus W. Broukhim in Hong Kong, Joseph Kahn in Shanghai and Kaitlin Chen in Beijing.

China offers vast promise. Executives such as General Electric Co.'s John Welch, AT&T Corp.'s Robert Allen and Salomon Brothers Inc.'s Deryck Maughan make pilgrimage after pilgrimage chasing business. So do government leaders. After Germany's Chancellor Helmut Kohl staged a two-day tour through China, he landed $4 billion in contracts for German companies. U.S. Commerce Secretary Brown Brothers Inc. and an overvalued asset. The result: losses on unauthorized trading by some of the world's biggest banks say. Beijing liked the idea so much that it invited two other Shanghai power companies to list, one in New York and one in Hong Kong. The result: investor overload. "They trade like ice cream every day," says Carl Walter, CS First Boston's Beijing representative. Now, the two power companies listed in New York trade well below their offering prices; the Hong Kong offering, slated to be underwritten by Goldman Sachs, was delayed indefinitely.

Soured Joint Venture

Though foreign companies chafe at the strict controls, Beijing deems such rules necessary as a way to ensure they are getting the most from China. A sad case in point: Feng Long Industrial Co. in rural Hubei province. The company was thrilled when a Hong Kong investor agreed to arrange the listing of Shandong Huangene Power Development Co. on the London Metals Exchange. Beijing liked the idea so much that it invited two other Shanghai power companies to list, one in New York and one in Hong Kong. The result: investor overload. "They trade like ice cream every day," says Carl Walter, CS First Boston's Beijing representative. Now, the two power companies listed in New York trade well below their offering prices; the Hong Kong offering, slated to be underwritten by Goldman Sachs, was delayed indefinitely.

Risk of Market Reaction

Chinese companies—and, because of their status and respectability, the government—will feel the repercussions. "If China thinks it can stiff the rest of the world any longer, they're wrong," says Peter Fitzgerald, a British executive at a major Chinese company. "Anytime you get a Chinese name, people are going to say, we won't touch you, even if you have a big London Metals Exchange say they will no longer roll over credits to most China clients. "I'm afraid you had to stop one day," says Simon Hunt of Brook Hunt & Associates Ltd., a British metals consultant. "The big question is whether there will be any exits on the dance floor."

That may not trouble many people in China's 900 million population, accustomed to a different world. Even though they drive Mercedes-Benzes, jet off to New York and London and can talk shop on Wall Street, Beijing still sets quotas for the number of shares companies can issue in a year, the number of companies that can issue them, the amount they can sell at home and abroad, and the number of companies listing a single foreign broker can represent, even the minimum price-earnings ratio for a Chinese company's stock offering to overseas investors.

The CS First Boston unit of CS Holding AG learned about the limits after agreeing to arrange the listing of Shandong Huangene Power Development Co. on the London Metals Exchange.

So do government leaders. After German Chancellor Helmut Kohl staged a two-day tour through China, he landed $4 billion in contracts for German companies. U.S. Commerce Secretary Brown Brothers Inc. and an overvalued asset. The result: losses on unauthorized trading by some of the world's biggest banks say. Beijing liked the idea so much that it invited two other Shanghai power companies to list, one in New York and one in Hong Kong. The result: investor overload. "They trade like ice cream every day," says Carl Walter, CS First Boston's Beijing representative. Now, the two power companies listed in New York trade well below their offering prices; the Hong Kong offering, slated to be underwritten by Goldman Sachs, was delayed indefinitely.

Soured Joint Venture

Though foreign companies chafe at the strict controls, Beijing deems such rules necessary as a way to ensure they are getting the most from China. A sad case in point: Feng Long Industrial Co. in rural Hubei province. The company was thrilled when a Hong Kong investor agreed to arrange the listing of Shandong Huangene Power Development Co. on the London Metals Exchange. Beijing liked the idea so much that it invited two other Shanghai power companies to list, one in New York and one in Hong Kong. The result: investor overload. "They trade like ice cream every day," says Carl Walter, CS First Boston's Beijing representative. Now, the two power companies listed in New York trade well below their offering prices; the Hong Kong offering, slated to be underwritten by Goldman Sachs, was delayed indefinitely.

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Beijing is even considering controls on foreign capital inflows as a way to curb inflation—though Wu Xiaoling, head of the central bank's policy research department, says China won't actually turn money away.

Where the government doesn't meddle enough, foreign companies say, is in protecting their business interests, with regard to things such as copyrights and patents. Charles Perrin, president of the Durrell International Ltd. subsidiary of the Bethel Conn. battery mfr, came to Beijing recently to announce plans to invest $70 million in a manufacturing facility. Exploring the capital during a free moment, he stumbled across copper-top batteries closely resembling his own brand. They carried the brand name 'Kendal,' but the packaging mimicked Durrell's trademark black and gold.

"We're proposing to spend millions for a plant here, but we've already got people stealing away our sales," he says.

"China's got the laws, but it obviously doesn't have the enforcement."

However, inflammatory such actions, what probably was the signal moment in the dying love affair between foreign business and China came last week. One of the biggest investors in China, Hong Kong billionaire Li Ka-shing, stunned a conference on mainland investing with a blast of blunt criticism. As senior Chinese officials and other investors gaped, Mr. Li—an acquaintance of Deng Xiaoping, China's senior leader—assailed China's treatment of foreign investors.

"Investors need to have long-term, stable policies in order to formulate plans and budgets," Mr. Li said. Instead, he asserted, Beijing's policies toward foreign investors are whimsical and short-term; laws are vague; taxes are ever-changing and arbitrary.

Ironically—and perhaps intentionally—Mr. Li's frustration boiled over just when his flagship company, Cheung Kong (Holdings) Ltd., is wrangling over the site of a proposed nine-million-square-foot commercial development in Beijing. The project, part of a $6 billion-plus overhaul of a shopping district near Tiananmen Square, is being built in cooperation with the municipal government. It is on Mr. Li's site that the 700-seat McDonald's sits.

After the government pushed the site's first golden arches in China in 1992, the bustling restaurant quickly became a symbol of the hazards of doing business in China. Today, it has become a symbol of the hazards of doing business in China. Even though the restaurant has a 20-year lease, demolition of the surrounding buildings began.

And the municipal government is unrepentant. "The land belongs to the state; so, the government has the right to seize the land for projects," a planning official says. "I'm not sure what kind of contract McDonald's signed, but it can probably receive some compensation and move to another location."

Inside the restaurant at lunchtime, it's business as usual. Small Christmas trees dangle from the ceiling. Reggae music plays softly. And customers say they would be sorry to see McDonald's go. Criticizing the developers, David Zhang, a 42-year-old petroleum engineer, grouses: "They're nothing they won't do for money."

—Neil Behrmann in London contributed to this article.

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**Stock, Bond Prices Drop\- Amid Interest Rates Fears**

**THURSDAY'S MARKETS**

**By Dave Kansas**

Staff Reporter of THE WALL STREET JOURNAL

Stock prices were sharply lower, dragged down by falling bond prices and intensifying concerns about interest rates. The dollar strengthened.

The Dow Jones Industrial Average slid 38.36 to 3700.87, recovering modestly from a late-session skid that sent the blue-chip indicator more than 46 points into negative territory. The Standard & Poor's 500-stock index fell 4.77 to 448.92, and the New York Stock Exchange Composite Index dropped 2.37 to 246.04. The Nasdaq Composite Index sank 9.12 to 741.20, according to preliminary figures.

Fears of another round of credit tightening by the Federal Reserve continue to hang over the market, but yesterday's downward pressure flowed largely from bad news in the retailing and technology sectors, strategists said.

Best Buy, a high-flying retailer, shook the market in early trading when it said it wouldn't meet third-quarter earnings estimates. After taking more than one hour to open, Best Buy plummed, ending down 11%, or 26%, at 32 1/8.

"For a stock to lose more than 25% of its value in one day due to news of a single disappointing quarter shows the extremely shaky condition of the market right now," said Gerald Simmons, head of trading at Interstate/Johnson Lane in Atlanta.


Meanwhile, worries about Intel's flawed Pentium chip helped drive technology shares lower, including computer makers such as Dell, down 3 5/16 to 39 1/2, and Gateway, down 1 1/4 to 20. Dello dropped 3 3/4 to 62 1/4.

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The Trade Pact's Key Provisions

The SWEEPING WORLD-TRADE AGREEMENT has taken eight years to finish. As trade pacts go, this is a big deal: slashing tariffs globally by 1.5% and extending intellectual-property-protection worldwide and tightening rules on investment and trade in services. The General Agreement on Tariffs and Trade, which sponsored the negotiations, estimates that the agreement could boost U.S. income by $122 billion by the year 2005. Other organizations predict smaller gains, but all of them show a positive effect.

Although 124 nations have signed the GATT accord, only about three dozen so far have given final approval. In the trade world, at least, even one still looks to the U.S. for leadership. Now that Congress has approved the agreement, the 47-year-old GATT goes out of business on Jan. 1, 1995, and its successor, the World Trade Organization, sets up shop. Here is a rundown on how the trade pact may affect U.S. industries.

WORLD TRADE ORGANIZATION

The new organization will oversee the trade agreement and set up a powerful dispute-resolution system, with three-person arbitration panels. The panels will have to follow strict rules for rendering decisions: WTO members can't veto the findings, as was the case under GATT. That's a big plus for U.S. agriculture, which had won GATT rulings against European Union subsidies of soybeans and other produce, only to have the EU block the decisions. Environmentalists and consumer groups worry that the WTO will overrule environmental laws. Partly to allay those fears, the trade pact allows any member to withdraw from the WTO after six months' notice. The U.S. is setting up its own panel of judges to review WTO decisions.

TARIFF CUTTING

"Tariff" is an old-fashioned word for a tax on imports. The negotiators agreed to cut tariffs on many thousands of articles by an average of 35% to 50% for imports to U.S. exporters. In particular, the U.S., Japan, Canada and other industrialized nations agreed to eliminate tariffs among themselves in 10 industries: Beer, construction equipment, paper, distilled spirits, pharmaceuticals, farm machinery, furniture and toys.

DUMPING AND STEEL

The agreement allows tougher and quicker action to resolve disputes over use of antidumping laws by the U.S. and increasingly, developing countries. Steel industries around the world use these laws to impose stiff penalties on foreign competitors that are found to sell steel "below cost." But the calculations of cost are highly subjective. In the GATT legislation, U.S. steel companies won approval of several provisions making it easier for them to prove foreign competitors are dumping. Look for the WTO dispute-resolution panels to review whether those provisions violate the trade pact.

INTELLECTUAL PROPERTY

The pact provides seven years of protection for trademarks; 20 years for patents and up to 50 years for copyrights. This represents a big win for the book, software, film and pharmaceutical industries, which complain bitterly of piracy. Solo inventors, however, call the new patent terms harmful. They prefer the current system, which provides protection for 17 years once a patent is granted. The term can be longer than the 20 years under WTO rules, which begins when a patent is filed. Congress is expected to review the patent question next year.

SOURCES

The agreement limits government subsidies for research in such goods as computer chips to 50% of applied research—the work leading to a first prototype—and 75% of basic research conducted in industry. It allows governments to average the two limits for research that is a combination of the two. That is a boon for the electronics and other high-tech industries, which are big recipients of government research grants.

AVIATION

The agreement continues limitations on government subsidies to the civil-aircraft industry. That is a plus for U.S. aircraft makers, which want to restrict government aid to Europe and Japan. Industry and also deter Japan. China and other nations from building aircraft industries through government grants.

AGRICULTURE

Big exporters should prosper. The agreement requires countries that export farm goods to reduce the volume of subsidized exports by 21% over six years. Bans on rice imports in Japan and South Korea are to be lifted. Quotas, for imports of sugar, dairy products and peanuts into the U.S. are to be phased out and replaced by tariffs. Initial access to previously closed markets would equal 3% of domestic consumption. Japan agreed to allow the share of imported rice to increase to 4% in 1995 and 8% over six years. U.S. rice, grain, fruits, vegetables and dairy products can be expected to gain most. Small farms, though, may face tough competition from low-cost producers. As part of the GATT legislation, the administration promised to increase funds for agricultural export programs by $600 million over five years.

TEXTILES AND APPAREL

The biggest loser—at least for the industry's workers. The agreement calls for phasing-out over 10 years the Multi-Fiber Agreement, a system of quotas that limits imports of textiles and apparel to the U.S. and other developed countries. In addition, most U.S. textiles are to be reduced by about 24%. Apparel tariffs would be cut about 9%. Europe and Japan would make steeper tariff reductions. Nevertheless, the textile industry supports the pact for three reasons. First, developing countries want an even faster phase-out of the quota system. Second, the U.S. is pushing Pakistan and other big textile makers to open their markets to U.S. exports. And third, industry lobbyists were able to insert into the GATT legislation a provision that effectively reduces imports from China. The biggest textile and apparel makers expect Chinese production to shift to Mexico, where U.S. companies can buy factories or sign up Mexican firms as customers. In any event, U.S. textile and apparel jobs may continue to shrink. North Carolina and South Carolina will feel the brunt of the textile job loss, the ITC predicts.

CHEMICALS

Most gains. Tariffs worldwide will be reduced to a low, common level among many nations, with the cuts phased in over a period of between five and 15 years. However, several important developing countries, including Argentina, Brazil, India and Indonesia, wouldn't go along with the harmonization.

ELECTRONICS

A big winner. The EU agreed to reduce its semiconductor tariffs by half to about 7%, and eliminate its tariffs on semiconductor equipment. In return, the U.S. agreed to end tariffs on EU exports of semiconductors and semiconductor equipment. Intellectual-property protection is strengthened. And the new subsidy code would allow the U.S. to continue a consortium in flat-panel TV sets, computer parts and other areas.

PHARMACEUTICALS

The International Trade Commission says the pharmaceutical industry should be the biggest winner in the trade agreement. Tariffs are eliminated among big industrialized countries. Patent protection is extended to drugs worldwide, which are now subject to rampant piracy. But U.S. pharmaceutical makers complain that developing countries have 10 years to phase in patent protection and that patent protection for biotechnology products is weak.

SERVICES

A disappointment overall. Some countries agreed to open their markets in legal services, accounting and software. But U.S. negotiators failed, however, to secure access to foreign markets that are largely closed to U.S. banks and securities firms. Such as Japan, several Southeast Asian nations and many developing countries. The U.S. agreed to open its doors to foreign financial-services firms but asserted the right to limit access after July 1995 to firms from nations that don't reciprocate. In other words, negotiations will continue. More talks will also be scheduled on plans to liberalize basic telecommunications services.

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THE WALL STREET JOURNAL FRIDAY, DECEMBER 2, 1994

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Many Business Leaders See Long-Term Gain, Especially at Computer, Drug, Farming Firms

At home, however, the Houston-based company will see foreign rivals enjoy a reduced cost advantage.

GOOD MEDICINE: Randall L. Tobias, chairman and chief executive of pharmaceutical company Eli Lilly & Co., Indianapolis, says GATT, the once inconsequential road of international growth now is at least partly paved. And Peter Teely, vice president of medical products maker Baxter International Inc., Deerfield, Ill., says, "It's supposed to make medical products virtually duty-free. It makes these things available to developing countries at a lower cost..."

And GATT's breakdown of trade barriers would allow Kmart to ship goods to its 13 stores in the Czech Republic and Slovakia for less money, he adds.

WE want to be able to make our products and sell our products anywhere on the planet.

—CEO of Nu-Kote, printing products maker

FOOD-FIRM FEAST: Bernard Stein­weiss, president of New York­based Continental Grain Co., says the trade accord means "new projects abroad, however, the General Agreement on Tariffs and Trade is causing far less excitement. In Japan, little fanfare is growing the importance of new export opportunities.

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When the goods are low-tech, the immediate impact: "This is of little interest to me," said one French banker.

Here are some recent snapshots from executive offices as officials report on what an approved GATT means to them:

PHOPRFT: "A few pennies, nickels and dollars make the difference," says John Turner, vice president of government affairs for pharmaceutical giant Georgia-Pacific Corp. about a 10-year phase-in of tariff reductions. When exporting paper to Europe, for instance, Georgia-Pacific now encounters tariffs of 5% to 12% on some products. Such duties often give Scandinavian competitors an edge on those tariffs, a significant advantage.

Mr. Turner says GATT would give Georgia-Pacific's building and sales a 'boost primarily' in Asia, though the company is disappointed that GATT reduces tariffs on wood products by only about 50%.

PAPER PROFITS: "A few pennies, nickels and dollars make the difference," says John Turner, vice president of government affairs for pharmaceutical giant Georgia-Pacific Corp. about a 10-year phase-in of tariff reductions. When exporting paper to Europe, for instance, Georgia-Pacific now encounters tariffs of 5% to 12% on some products. Such duties often give Scandinavian competitors an edge on those tariffs, a significant advantage.

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FOOD-FIRM FEAST: Bernard Stein­weiss, president of New York­based Continental Grain Co., says the trade accord means "new projects..."
Three transitional problems were put aside while the Clinton administration and trade officials were busy building "master congressional support for the trade pact. Trade officials from the U.S. and Canada met Tuesday to review trade issues that could start as early as this weekend.

Booth Gardner, U.S. trade ambassador to Geneva, has assured the desenvado of the U.S. that the American people want to leave Washington under the old rules. WTO is set up. U.S. officials previously said the Clinton administration wants to leave GATT as soon as it can to avoid meeting the obligations of two trade regimes. But others in GATT, who have been assured of a two-year period during which they could join the WTO without any benefits, are free.

Serving Two Masters

The problem is that of the co-existence of GATT with the WTO, "says M.K. Kesavanapati, Singapore's trade diplomat here. "What is at stake is a reorganization in the area of unregulated trade disputes.

Trade officials fret about such unresolved disputes, many of which involve antiguing cases. Their worst fear is that in the absence of an appropriate tribunal, such disputes will end in poisoning trade relations between nations.

As often happens in GATT, the trade-shooters are at work and one compromise proposal involves freezing the proposals for a new WTO, continuing its GATT membership for a year, during which others would guarantee the U.S. will bring in any new law against Washington under the old rules.

Once settled, trade officials can move negotiating accords in an area that remains unresolved in the rush to conclude the Uruguay Round of talks a year ago. These are border trade relations and basic telecommunications.

Deals Pave the Way for Free-Trade Pact

By BOB DAVIS

New World-Trade Order Will Take Time

BY BRUSILAH BAKER

Staff Reporter of The Wall Street Journal

WASHINGTON, D.C. — Approval by the U.S. Congress of the new world trade accord will take months, if not years, to implement, and the transbit will be slow.

For one thing, the accord still needs to be ratified by a number of other trading partners, including the European Union, Japan and Canada. Many of them are waiting for the Congress to act before they voted on the accord.

"We have to get the others in the corral now," said one influential member of the General Agreement on Tariffs and Trade.

Domestic processes are well advanced in Japan and Canada, but it will be a close-run thing in the case of the EU. Many member states are waiting to complete domestic ratification processes and their foreign ministers won't meet until Dec. 19, when they are expected to give the go-ahead to the EU Commission.

Optimism on Deadline

"We're optimistic that we will make the deadline," a commission spokesman said yesterday.

More than 36 nations have already advised GATT that they have completed ratification, and the total is expected to be higher. Officials put it at 50 nations by the end of the year.

In the meantime, a new head for the World Trade Organization, which will replace GATT under the treaty, has to be chosen. Officials will be looking for someone to solve a host of problems relating to the transition from GATT to the new trade rules. Some rules will exist alongside each other for at least a year, probably creating a short-term increase in disputes between trading partners. In addition, trade officials don't expect any surprise in the way companies or others will use problems and services, in the first year or two of the new regime.

Economies of Scale

The impact of the new trade pact, if it can be measured, may be in the investment decisions taken in company boardrooms. Decisions about the location of manufacturing in intermediate goods. GATT's director of research, Richard Blackhurst, says it will reduce the barriers to movement of parts from several different countries. The indirect investment across borders will be stimulated. But others are that expected to shift quickly to buying from domestic suppliers, especially in the computer, telecommunications and other high-tech manufacturing industries.

With the freer flow of goods, economies of scale will be gained from situating a manufacturing facility in a low-cost area where once imports restrictions may have forced localized production.

For tariff cuts, which are to be introduced over six years, and the lowering of non-tariff barriers in such key sectors as textiles and clothing, most of which are to start in the last three years of a 10-year phase-in period, the impact on trade won't even be detectable in data for some years before trade data starts reflecting the changes.

Yet industry will have begun to change almost immediately. Once the net effect of the lowering nations racy the pact and the WTO starts up, companies will adjust to the timetable of the changes in trade, in industry and in employment, may be in the investment decisions to be made now.

Julie Wolf in Brussels contributed to this article.

New World Trade Order Will Take Time

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"The battle to win congressional approval for the new trade agreement negotiated under the General Agreement on Tariffs and Trade shows how the process works.

First, the administration had to reduce the number of opponents to the pact. So it cut down on the number of items on the list of products that would be subject to tariffs. In GATT legislation that changes calculations used in cases where foreign products are accused of selling in the U.S. at unfairly low prices; the changes made it easier for U.S. companies to win cases.

Second, the administration came up with $963 million over five years by attaching a bill to keep the underfunded pension plans, while helping to wipe out a $2.9 billion deficit of the Pension Benefit Guaranty Corp. In 10 years, the administration said, it could start to pay out $1.2 billion annually, if the bill is passed.

The administration also had to assure GATT that they have completed their work. GATT has its obligations to it once the new regime.

Once settled, trade officials can move negotiating accords in an area that remains unresolved in the rush to conclude the Uruguay Round of talks a year ago. These are border trade relations and basic telecommunications.

"Ms trade officials were busy trying to make sure that the U.S. won't pass a trade pact: A add a few sweethearts, deal with some of the industries, and attach some unrelated provisions that budget bean-counters can claim will increase federal revenue.

The battle to win congressional approval for the new trade agreement negotiated under the General Agreement on Tariffs and Trade shows how the process works.

First, the administration had to reduce the number of opponents to the pact. So it cut down on the number of items on the list of products that would be subject to tariffs. In GATT legislation that changes calculations used in cases where foreign products are accused of selling in the U.S. at unfairly low prices; the changes made it easier for U.S. companies to win cases.

Second, the administration came up with $963 million over five years by attaching a bill to keep the underfunded pension plans, while helping to wipe out a $2.9 billion deficit of the Pension Benefit Guaranty Corp. In 10 years, the administration said, it could start to pay out $1.2 billion annually, if the bill is passed.

The administration also had to assure GATT that they have completed their work. GATT has its obligations to it once the new regime.

Once settled, trade officials can move negotiating accords in an area that remains unresolved in the rush to conclude the Uruguay Round of talks a year ago. These are border trade relations and basic telecommunications.

Deals Pave the Way for Free-Trade Pact

"We're optimistic that we will make the deadline," a commission spokesman said yesterday.

More than 36 nations have already advised GATT that they have completed ratification, and the total is expected to be higher. Officials put it at 50 nations by the end of the year.

In the meantime, a new head for the World Trade Organization, which will replace GATT under the treaty, has to be chosen. Officials will be looking for someone to solve a host of problems relating to the transition from GATT to the new trade rules. Some rules will exist alongside each other for at least a year, probably creating a short-term increase in disputes between trading partners. In addition, trade officials don't expect any surprise in the way companies or others will use problems and services, in the first year or two of the new regime.

Economies of Scale

The impact of the new trade pact, if it can be measured, may be in the investment decisions taken in company boardrooms. Decisions about the location of manufacturing in intermediate goods. GATT's director of research, Richard Blackhurst, says it will reduce the barriers to movement of parts from several different countries. The indirect investment across borders will be stimulated. But others are that expected to shift quickly to buying from domestic suppliers, especially in the computer, telecommunications and other high-tech manufacturing industries.

With the freer flow of goods, economies of scale will be gained from situating a manufacturing facility in a low-cost area where once imports restrictions may have forced localized production.

For tariff cuts, which are to be introduced over six years, and the lowering of non-tariff barriers in such key sectors as textiles and clothing, most of which are to start in the last three years of a 10-year phase-in period, the impact on trade won't even be detectable in data for some years before trade data starts reflecting the changes.

Yet industry will have begun to change almost immediately. Once the net effect of the lowering nations racy the pact and the WTO starts up, companies will adjust to the timetable of the changes in trade, in industry and in employment, may be in the investment decisions to be made now.

Julie Wolf in Brussels contributed to this article.
Big Changes Loom
For Savings Bonds
Because of GATT

Continued From Page C1

bonds held at least six months, but less
than five years. Bonds held five years or
longer yield either 4% or a market-based
rate linked to the yield on five-year Trea­
sury notes, whichever is higher.

Savings of $122 Million

The change, contained in legislation that
implies a sweeping array of trade liberaliza­
tion measures negotiated under the
auspices of the General Agreement on Tariffs and Trade, is supposed to save
the government about $122 million over
five years, largely because doing away
with the guaranteed rate will allow the
department to move to a less-generous
method of computing interest.

Savings-bond interest currently ac­
crues every month for the first five years
and every six months thereafter. The
Treasury is leaning toward making semi­
annual accrual uniform over the life of
the instruments, a change that would put
savings bonds on the same footing as most
other government obligations.

Reform of the way interest isn’t imme­
diately change anything, however. Be­
cause the Treasury is granted broad au­
thority to structure savings bonds as it sees
fit, the prevailing terms, including the 4%
guaranteed minimum rate, will remain, in
effect until a new offering circular is
published, probably next year.

The decision-making process will take
“at least several months,” says Pete Hol­
lenbach, spokesman for the Treasury’s
Bureau of the Public Debt.

May Base Yield on Five-Year Note

Savings bonds are offered in denomina­
tions ranging from $50 to $10,000. Savers
purchase the obligations at half of their
face value, and the bonds reach what is
termed “original maturity” when the
accumulated interest builds up to the other
half, a process that currently takes 18
years. The bonds may be held longer, but
the terms may be different from those
originally specified, and the statutory 4%
minimum rate doesn’t apply. After 30 years,
the bonds no longer earn interest, and
redemption isn’t mandatory.

Every May and November, the Trea­
sury publishes a rate equal to 85% of the
yield on five-year Treasury notes. An
average of those yields makes up the
market-based rate for savers who hold
their bonds for five years or longer. The
prevailing rate for the current six-month
period, ending April 1995, is 5.92%.

Officials say the department is consid­
ering a yield based on the five-year note
for long-term holders and replacing the flat
rate applicable to obligations held less
than five years with a return equal to an
average of 85% of the yield on six-month
Treasury bills.

Confusion for Investors

While the floating-rate approach would,
at prevailing interest rates, make
savings bonds more attractive to short-term hold­
ers, it isn’t without risk to the Treasury, which raised about $5 billion in the fiscal
year ended last September through sales of
such instruments.

“Offering a variable-rate product is not
an easy thing to communicate,” says Peter
Roberts, chairman of College Savings
Bank, Princeton, N.J. “Having two differ­
tent indexes is going to cause a lot of confusion.”

Mr. Pederson of Savings Bond Informer
expects the Treasury to move cautiously in
making any changes.

“You’re dealing with a conservative
instructor,” he says, adding that the guaran­
teed rate, which presumably would disap­
pear under a market-based system, is probably all most purchasers of savings
bonds currently know.
Clinton Unlikely to Change Economic Game Plan
Despite Being Faced With Republican Congress

By DAVID WISSEL
AND MICHAEL K. FRISBY
Staff Reporters of THE WALL STREET JOURNAL
WASHINGTON — President Clinton, chastened by voters and confronting a Republican Congress with a clear agenda, is now rethinking his economic strategy.

The most likely outcome: No much change in course.

Although he hasn't made any final calls yet, insiders at this point expect the president to propose a modest tax cut for some middle-class families with children and some headline-grabbing, though fiscally insignificant, downsizing of government.

The White House will, undoubtedly, call that bold. But Mr. Clinton is unlikely to mount a major assault on federal benefit programs or tax breaks, which is what he would have to do if he wanted either to deal with the long-run deficit or free up money for big, new initiatives aimed at middle-class workers.

The political risk of this approach for Mr. Clinton is that he lets Republicans set the agenda and defines himself as a "new Democrat" but as Republican-lite—an advocate of smaller tax cuts than the GOP's and bigger government, but not as much as the GOP: of a less ambitious deficit-reduction goal; and of spending more on defense. Indeed, Mr. Clinton said yesterday that he now wants to spend $27 billion more on defense over six years than previously planned; in a play on the GOP House leader's economy and policy plan, among other things, calls for bigger defense budgets, one Pentagon official called Mr. Clinton's proposal "the subcontract with America."

No Major Economic Shift

But Mr. Clinton's political and economic advisers don't believe that the Democrats' election defeat calls for a major shift in their economic strategy. Instead, the prevailing wisdom is that Republicans have promised so much—both costly tax cuts and a balanced budget—that they're bound to break their vows and hurt themselves politically.

"Give them enough rope, and they'll hang themselves," is the White House shorthand. To keep the pressure on Republicans, White House aides George Stephanopoulos and Gene Sperling are serving as an informal "fiscal responsibility" squad.

"We won't turn back the gains we have made on the budget deficit," says Treasury Secretary Lloyd Bentsen. "They have been too difficult to accomplish." But he isn't talking about doing more deficit reduction.

The White House reluctance to be more daring is both a political and economic mistake, says Robert Shapiro of the Pro- gressive Policy Institute. "For the administration to communicate business as usual on the budget threatens to consign the president to political irrelevance," he says. "Without significant spending and tax reform, we cannot increase the rate of private investment, and we can't provide the opportunity for training and education that we need... and we can't repair infrastructure.

Among the internal lonely voices for a bolder approach are Vice President Al Gore and Treasury Secretary Robert Reich. Mr. Gore is particularly keen on the political payoff from another round of his "reinventing government" campaign, which has been done away with some agency this time; he has made clear he wants a big role in any new campaign.

Mr. Reich has been dressed down in public by Mr. Bentsen and in private by others—for advocating a war on "corporate welfare," or tax breaks for particular industries, to pay for investments in job training and education. After all, the rest of the Clinton economic team has been trying to court business. Among disheartened Democrats in Congress, however, Mr. Reich has become an instant hero. Richard Gephardt, who will be the House Democratic leader in the next Congress, has been passing around copies of Mr. Reich's controversial speech. "We should have a stall back from standing up for the working class of this country," says Democratic Rep. Joseph Kennedy of Massachusetts, a fan of the Reich approach.

In a marathon round of meetings in the White House Rosebush Room this week and next, Mr. Clinton is listening to his economic and political team lay out the big budget and tax decisions he must make in the next three weeks.

Precautions Over Leaks

Security has been tight. Still shaken by the pre-election leak of a blunt memo by Budget Director Alice Rivlin, copies of briefing papers are numbered and collected from cabinet members after each meeting. Even senior officials such as Mr. Bentsen are forbidden to bring aides (except when the talk turns to tax details). The meetings are orchestrated by Robert Rubin, chief of the National Economic Council, who works to keep them on track, and Gene Sperling. Shortly after Tuesday night's meeting began, the conversation took an unanticipated turn and staffers frantically photocopied a new set of briefing papers.

In presentations made by Ms. Rivlin, the shortcomings of the 1993 deficit-reduction package are clear. After a three-year decline, administration projections show the deficit will turn up next year and keep growing; when the baby boomers begin to retire in 2010, the deficit deteriorates significantly. The Congressional Budget Office is more pessimistic. It foresees a $400 billion deficit by 2004 even without any tax cuts, and it will give a disturbing look at the decades beyond in a report due early next year.

But both Mr. Clinton and Republicans in Congress say Social Security is untouchable. The president also wants to reserve savings from federal health programs for his yet-undefined second try at health reform. Paying for a middle-class tax cut, even one that is phased in gradually and limited at first to younger children, will take at least $40 billion over five years. That doesn't leave much room for deficit reduction.

So the current deficit debate in the White House essentially boils down to: Do a little or do nothing. Doing nothing means showing a widening deficit, something that Chief of Staff Leon Panetta, among others, wants to avoid to signal a continuing anti-deficit effort. But the budget office estimates that just holding the deficit steady would take $14 billion in spending cuts or tax increases on top of the savings needed to pay for a tax cut. Some Clinton advisers prefer to look at the deficit measured against the size of the economy, a gauge more important to financial markets and economists than to voters. By White House reckoning, that measure is steady for the rest of the decade; the CBO shows it rising.

One option under consideration is to simply assume that health reform will save enough money to keep the deficit flat, measured in dollars. But Mr. Sperling has been warning that approach. He wants the White House to be specific about everything so he can accuse Republicans of being vague on how they would balance the budget.
Help-Wanted Listings Reach Highest Level In Over Four Years

By a WALL STREET JOURNAL Staff Reporter

NEW YORK — Help-wanted advertising surged in October to its highest level in more than four years as employers' cautions appeared to ease, the Conference Board said.

The board's seasonally adjusted index of U.S. advertising volume rose to 126, the highest since July 1990, when it reached 127. The 11-point jump in October from the previous month is the index's steepest increase since October 1983, when it rose 10 points. The index read 107 in October 1993.

The latest month's data show employers may be "breaking through the wall of caution" about aggressively looking for job applicants, said Ken Goldstein, an economist for the Conference Board.

Among regions, the South-Atlantic region showed the steepest increase since October 1983, when it rose 10 points. The index read 107 in October 1993.

For Ex-US. advertising volume rose to 128, the highest since July 1990, when it reached 127. The 11-point jump in October from the previous month is the index's steepest increase since October 1983, when it rose 10 points. The index read 107 in October 1993.

Among regions, the South-Atlantic region showed the steepest increase since October 1983, when it rose 10 points. The index read 107 in October 1993.

The Mountain region showed the steepest increase during the three months with a gain of 2.6%, followed by the West South Central, with a 9% rise. The East North Central showed a 7% gain and the East South Central climbed 6.6%. The Pacific, with the slowest economic recovery, posted a 5% gain.

The Conference Board's index is considered a barometer of change in the supply of jobs because ad volume is sensitive to labor-market conditions.

Ex-Justice Department Official to Plead Guilty to 2 Counts of Improper Billing

By ELLEN JOAN POLLOCK

Former Associate Attorney General Webster Hubbell agreed to plead guilty to two criminal counts stemming from allegations that he improperly billed his former law firm and clients for personal expenses.

A person close to Mr. Hubbell said he agreed yesterday to plead guilty to one count of tax evasion and one count of mail fraud. Mr. Hubbell had been negotiating with Whitewater independent counsel Kenneth Starr in recent days. Two lawyers familiar with those talks said prosecutors had given Mr. Hubbell a deadline of yesterday to plead guilty. If he hadn't come to an agreement, they say, he would have been indicted yesterday. It is expected to take several days to complete the full plea agreement, the lawyers said. Mr. Hubbell and the Whitewater prosecutors also have been negotiating a prison sentence, which will be recommended to a federal judge.

Lawyers and a spokeswoman for Mr. Starr in Washington and Little Rock couldn't comment. Mr. Hubbell's lawyer couldn't be reached, but has previously declined to comment on the status of his negotiations with the Whitewater prosecutors. The White House and Ronald Clark, the managing partner of the Rose Law Firm, where Mr. Hubbell was once a partner, also declined to comment last night.

Significance of Plea

The significance of Mr. Hubbell's plea goes well beyond the charges themselves. He was one of a handful of close friends of President Clinton from Little Rock to assume key administration jobs. He was a former law partner of Hillary Rodham Clinton's. Since resigning from his senior Justice Department post in March, he has remained friendly with the Clintons, attending White House functions when foreign dignitaries and the victorious Razorback basketball team paid calls.

Mr. Hubbell, a former mayor of Little Rock, left the Justice Department after the Rose Law Firm uncovered evidence that he had improperly billed personal expenses to the firm. It eventually reported the alleged breaches to Arkansas state ethics authorities. The allegations appear to have little or nothing to do with the heart of the investigation into the Clintons' Whitewater real-estate investment or the failure of Madison Guaranty Savings & Loan. But they have been probed extensively by Whitewater prosecutor Robert Fiske and his successor, Mr. Starr.

Two Agencies Were Billed

Lawyers familiar with the investigation say Mr. Hubbell improperly billed roughly $400,000 in expenses to the Rose firm and, to a lesser degree, his clients. Those clients include two federal agencies, the Resolution Trust Corp. and the Federal Deposit Insurance Corp., which he represented in matters involving failed thrifts. The RTC and the FDIC are conducting their own investigations of the billing irregularities.

According to lawyers familiar with the investigation, Mr. Hubbell wrote checks from a firm account to cover the allegedly personal expenses. Many of the checks were made out to credit-card companies.
Economic Data Show Expansion Remains Strong

Purchasing Managers' Index For November Indicates Surge in Manufacturing

By CHRISTOPHER GEORGES

WASHINGTON -- An array of reports yesterday on income, spending, jobs, construction and manufacturing all painted the same picture: The economic expansion shows virtually no signs of letting up.

Among the most significant developments was a surge in manufacturing in November to its strongest level in 10 years, according to the widely followed index of the National Association of Purchasing Managers. The index, a monthly measure of growth of the manufacturing sector based on a survey of corporate purchasing managers, rose 1.5 percentage points from October to 61.2%, marking the 15th consecutive increase in the index.

A reading above 50% indicates the manufacturing economy is expanding, while a reading below 50% indicates a decline.

Strong Christmas Season

"The expansion best goes on and on," said Robert Dederick, economic consultant at Northern Trust Co. "The Christmas season looks like it will finish as strong as it started, with the consumer going out on a roll."

That upbeat assessment found support yesterday also in October reports showing:

- A 1.4% surge in Americans' income, the ninth straight increase and the biggest jump in eight months, according to the Commerce Department.
- A 0.7% increase in consumer spending, the strongest showing since August, also according to the Commerce agency.
- A 0.9% rise in construction spending, according to another report from the Commerce Department.
- A rise in the Conference Board's Help-Wanted Advertising Index to 128 from 107 a year earlier.

In addition, the Labor Department said new claims for unemployment benefits fell 17,000 last week to 317,000, the smallest number since Sept. 24.

A Continuing Parade

Yesterday's numbers add to the parade of recent statistics, such as a sharp rise in consumer confidence in November and an upward revision in the third-quarter gross domestic product, suggesting continued growth into next year.

But with those upbeat reports, economists said, have come fears of higher prices, inflation and further interest-rate increases by the Federal Reserve, such concerns depressed stock and bond prices yesterday (see Article on page C1).

"Higher income begets higher employment, which begets higher consumption, which begets higher income," Mr. De­derick said, "and on we go around and around. All this lays the groundwork for higher inflation."

Part of the groundwork laid yesterday was the rise in manufacturing as reported by the National Association of Purchasing Managers. Of the 20 industries surveyed in the manufacturing sector, 17 reported an improvement over October, with the biggest gains in apparel, transportation equipment and printing and publishing.

Factories produced advances to its highest level since December 1983, indicating that factories are buzzing to keep up with demand, and manufacturing employment:

Please Turn to Page A4, Column 4

Construction Spending

In billions of dollars, seasonally adjusted

<table>
<thead>
<tr>
<th>Year</th>
<th>Total new construction</th>
<th>Residential</th>
<th>Nonresidential</th>
<th>Public</th>
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<tbody>
<tr>
<td>1991</td>
<td>18.5 billion</td>
<td>10.9 billion</td>
<td>7.6 billion</td>
<td>0.0 billion</td>
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<tr>
<td>1992</td>
<td>19.0 billion</td>
<td>11.4 billion</td>
<td>7.6 billion</td>
<td>0.0 billion</td>
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<tr>
<td>1993</td>
<td>19.4 billion</td>
<td>11.9 billion</td>
<td>7.5 billion</td>
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<td>1994</td>
<td>19.9 billion</td>
<td>11.8 billion</td>
<td>7.5 billion</td>
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More Economic Data Show the Expansion Has Not Lost Steam

Continued From Page A2

ment increased for the third consecutive month.

One detail, however, offered a hint that the outlook for inflation might not be as worrisome as at the overall numbers indicate: The prices-paid index slipped to 77.3% from 79.9% in October, indicating that manufacturers saw fewer price increases for the raw materials they need.

Although the overall index remains strong, it is still well below previous cycle peaks, such as in 1983 when it reached a high of 70%.

Evidence for a surging economy also came from healthy increases in personal income and spending. The combination meant that Americans' savings rate climbed to 4.7% in October from 4.1% the previous month. Private wages and salaries, the most closely watched component of income, increased at a $46.6 billion annual rate, compared with an $18.5 billion rise in September.

The increase in wages, economists said, was due in part to the recent declines in unemployment.

"When unemployment levels reach rates as low as they are now, we tend to see wages and salaries pick up," said Brian Wesbury, chief economist for Griffin, Kubik, Stephens & Thompson Inc., "all of which can lead to higher prices."

Economists said this month's unemployment report, scheduled to be released today, will help clarify the wage-price outlook.

But yesterday's rise in the Help-Wanted Index, which measures employment volume in 31 cities, probably bodes well for lower unemployment, economists said.

Paula Jones Photos Allowed

A federal judge in New York refused to block Penthouse International Ltd. from publishing seminude pictures of Paula Corbin Jones, the former Arkansas state employee who has sued President Clinton for sexual harassment.

Judge Peter K. Leisure ruled that "the photographs do have a relationship to the accompanying article, and the article is a matter of public interest." Penthouse's Dec. 6 issue contains the photos and an article challenging the credibility of Ms. Jones, who sought to block the publication of the pictures.

Paula Corbin Jones vs. Mike Turner, (Paula Corbin Jones vs. Mike Turner, 95-8601, Southern District of New York).

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Victor Rorner, Penthouse's lawyer, told the judge that 350,000 subscriptions had been mailed out on Monday, and a large shipment of newsletter copies had been sent out a week earlier. Because of those shipments and recent press coverage, the judge said a restraining order would not be effective. Ms. Jones's lawyer, Joseph Cammarata, said no decision had been reached on whether to appeal.

Judge Leisure also lifted a temporary restraining order that he granted on Tuesday. That action had been criticized by the news media as an unconstitutional prior restraint.

continued...
In its statement, the county said it was confident it would be able to retain investors. However, the statement suggested that the confidence may not be universal: "A number of voluntary investment fund members have said that they will remain in the fund."

At a news conference yesterday, county officials said they had hired an independent consulting firm, Capital Market Risk Advisors, to work with county officials. "He's paying more interest on the debt," said one West Coast trader who would not provide his name. "He's trying to cut its exposure to the market." The fund's losses were until yesterday. But the county said it was confident it would be able to retain investors. However, the statement suggested that the confidence may not be universal: "A number of voluntary investment fund members have said that they will remain in the fund."

In its reverse-repurchase transactions, the fund delivered fixed income securities to a financial institution and received cash in return. The fund agreed to repurchase the securities at a later date at a higher price. Mr. Citron then used the borrowed funds to purchase other securities. The hope was that the fund would earn a higher yield on the new investments than the rate of interest it had to pay under the repurchase agreement. Mr. Moorlach said about his great income, but he was gambling.

GAMBLING ON LOWER RATES

The net effect of the transactions was to increase the fund's sensitivity to interest-rate changes. In effect, Mr. Citron was gambling on lower interest rates, and he the fund's losses were unlikely. But return as long as interest rates kept declining. Mr. Citron said the fund produced an average yield of 16.1% over the last 15 years. However, when rates began turning up earlier this year, his giant wager began turning against him. The Wall Street Journal in April, he said that rising interest rates had forced him to meet $140 million in margin calls by Merrill Lynch. He also borrowed $100 million from brokers that had lent money to the fund through reverse repurchases and other arrangements. However, Mr. Moorlach and some traders said that the fund increased its leveragge in order to expand its interest-rate exposure. In effect, Mr. Citron was gambling on lower rates. "He was hoping and hoping that rates would go down. He created a recipe for disaster."

Because the county wasn't required to mark its securities to market prices on a regular basis, it wasn't known how bad the fund's losses were until yesterday. But traders had already concluded that the fund's return was lower than the cost of its borrowings. "He's paying more interest on his earnings," says a bond trader who is familiar with Mr. Citron's portfolio. "His earnings are "in inverse floaters," a principal at TIAA-CREF. Across the country, bond funds have been hit by a combination of falling bond prices, rising interest rates, and rising interest rates, especially from the latest Federal Reserve Board action in November. Mr. Moorlach said, "Further increasing the risks, Mr. Citron invested more than 40% of the $20 billion in securities to derivatives, some of which were also extremely sensitive to rising rates."

Of the fund's holdings, 3.5 billion is invested in "structured securities," or securities with derivatives embedded in them, said Leslie Rahl, a principal at Capital Market Risk Advisors. Some 80% or more of those derivatives consist of "inverse floaters," said Tanya Beder, another principal at the firm. As their name suggests, inverse floaters are bonds that benefit when interest rates rise, and vice versa, which makes them hypersensitive to rate changes. The remaining $11.5 billion of the fund's investments, prior to the losses, were mainly in traditional fixed-income securities, such as U.S. Treasury bonds. Ms. Beder said. The fund's overall holdings are "quite low in mortgage securities," she added.

Analysts Ralph and Rhonda L. Budde contributed to this article.
SBA Hopes to Revitalize Flagging GreenLine Program

Some Restrictions Would Be Eased, Increasing Availability of Smaller Loans

By MICHAEL SELZ

Staff Reporter of The Wall Street Journal

The U.S. Small Business Administration hopes to revive languishing interest in a new loan guarantee program by dropping some controls that limited the availability of smaller loans.

The SBA launched its GreenLine program on Aug. 30 to expand small businesses’ access to revolving loans, which offer greater financial flexibility than the term loans historically backed by the federal agency. The SBA predicted the initiative would generate $1 billion in loans during its first year. But so far, only nine loans totaling $2.5 million have been made.

That’s why the SBA plans to eliminate certain GreenLine restrictions for monitoring revolving loans of $200,000 or less. John Cox, the SBA’s associate administrator for financial assistance, said the agency intends to notify bankers within two weeks about these loosened procedures. He said he would reduce such loans’ costs without increasing the agency’s risk.

No Semiannual Inspections

Under the expected revisions, Mr. Cox added, these smaller loans no longer will require semiannual personal inspections of a borrower’s collateral. He said the SBA also will stop requiring a separate account into which proceeds from receivables and inventory for repaying the loans are immediately deposited. Doing business with a lender specially trained and approved to participate in the GreenLine program also no longer will be necessary, he said.

In response to GreenLine’s cool reception from lenders, Mr. Cox said. Despite heavy private-sector participation in developing the GreenLine program, he noted, “we underestimated the work that had to be done to sell a program of this nature.”

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Mr. Cox suggested. “You’ve got the wrong kind of bankers favoring such changes. At 1st United Bancorp in Boca Raton, Fla., SBA lending officer Kevin Rafferty said the current restrictions on smaller loans are akin to “shooting a fly with an elephant gun.”

Yet even some lenders who advocate scaling back restrictions were surprised by the agency’s planned changes. Small businesses borrowing $200,000 or less are the least sophisticated “and need to be monitored more,” says Betty Vaughs, a vice president of Action Capital Corp., an Atlanta commercial-ﬁnance concern, who helped to develop the GreenLine plan. She said she doubted any prudent lender would waive such controls even if the SBA allows the move.

Cool Reception From Lenders

The changes are among others being implemented or considered by the agency. The SBA took unprecedented steps to guard against the higher risk of guaranteeing such debt. For the first time, for instance, the agency permitted banks without the resources to perform collateral inspections to hire examiners to do such work.

Big Hassle, Little Money

But SBA lenders accustomed to the agency’s term-loan program have objected to some of the GreenLine program’s restrictions. Personal inspections of a borrower’s collateral and other monitoring requirements are “a very cumbersome process,” said John Miller, vice president of commercial loan administration at a banking unit of UMB Financial Corp. in Kansas City, Mo. Under such conditions, he continued, “it’s a lot of expense and hassle when you’re working with someone who needs only $50,000.”

Loosening controls on smaller loans is one of several steps that the SBA is taking or considering to improve GreenLine’s popularity. Banks also have objected to the agency’s requirement that they must liquidate a defaulted borrower’s collateral before the agency will fulfill its guarantee. Under the expected revisions, the SBA will purchase the debt after the lender has liquidated half of a loan’s collateral, Mr. Cox said.

The program “may not be giving us the results we hoped for right now. But if we keep adjusting it we’ll get something that works,” the SBA official noted. “I really believe there is a need for this type of loan.”

GreenLine’s private-sector supporters also are promoting other changes. These include creating a preferred tier of lenders—an idea already used in other SBA lending programs. Preferred lenders would get greater freedom to monitor loans of all sizes themselves. In exchange, the SBA might guarantee only half of the credit line.

Nonbank Lenders Considered

Mr. Cox said the preferred lender idea isn’t as popular among lenders as proponents claim. But he said he is considering letting nonbank lenders, such as commercial-lease companies, participate in GreenLine if his other revisions fail to significantly increase lending activity.

Jim Mayer, president of Diversicorp Inc., a collateral-management services concern in Dallas, said such a move would rapidly accelerate the initiative’s growth. Like Ms. Vaughs, Mr. Mayer assisted the SBA in putting together the GreenLine program.

Banks with term loans typically guarantee the SBA may never be comfortable making revolving loans to small businesses, Mr. Mayer noted. “The existing pool of SBA lenders are not the type who would or could do GreenLine lending,” he suggested. “You’ve got the wrong kind of lenders looking at this program.”
**U.S. Probe of Whirlpool Sales Practices Surfaces Amid Dispute With Best Buy**

By GREGORY A. PATTERSON AND ROBERT L. ROSE

Whirlpool Corp. said the Justice Department is conducting an antitrust investigation into its sales and pricing practices, as well as those of some other appliance makers.

Whirlpool didn't name other companies it believed were involved in the probe, and the Justice Department declined to comment. Appliance makers have come under antitrust scrutiny previously, including a Federal Trade Commission investigation several years ago.

Word of the latest investigation surfaced yesterday amid a dispute between Whirlpool and appliance and electronics retailer Best Buy Co. Best Buy's stock dropped 26% during the day, in part because of a news report concerning its deteriorating relationship with Whirlpool.

The report on CNBC said that Whirlpool was planning to stop selling its appliances through Best Buy stores. Best Buy later confirmed the report, but also disclosed the investigation of Whirlpool.

Broad Look at the Issues

A Whirlpool spokeswoman said last night that the Benton Harbor, Mich., appliance company "cooperated fully" with the Justice Department after being contacted last February. Whirlpool submitted information to the department in early summer, and met with Justice officials in July. The spokeswoman said she believed the inquiry was part of a broad look into pricing issues, and that it also included makers of electronic products.

Raytheon Co., another appliance maker, said six months ago that Justice Department officials asked the company for information concerning its minimum advertising-pricing policy. The company complied with the request, said Raytheon spokeswoman Elizabeth Alles. "But that was six months ago, and there have been no developments since then," she said.

Both companies said they believe they've done nothing wrong.

Among other appliance makers, a Maytag Corp. spokesman said last night that he didn't know if the Newton, Iowa, company had been contacted by the Justice Department.

A spokesman for General Electric Co. said he had no information on the matter, and Sweden's AB Electrolux couldn't be reached to comment.

A series of acquisitions in the 1980s cut the number of big players in the U.S. major-appliance industry to five. Despite that concentration, the industry has insisted that competition is fierce, and that prices for many products have remained stable, after adjusting for inflation.

The Federal Trade Commission's probe in 1990 and 1991 centered on Whirlpool, GE and Raytheon and involved the suspicion that they were fixing prices on such products as refrigerators, ranges and dishwashers.

Asked about the result of the FTC's investigation, the Maytag spokesman said: "I don't think we ever heard anything. That's sometimes how these things end up."

Best Buy learned of the Justice Department probe in early November, when its officials were subpoenaed by the department's antitrust division, said Bradbury Anderson, president of the Eden Prairie, Minn., retailer.

In an interview yesterday, Mr. Anderson said he knew the Justice Department is examining more than one of the big appliance makers, but not all of them. He wouldn't elaborate.

**Stock Is Pummeled**

Investors pummeled Best Buy's stock as it also disclosed yesterday that its fiscal third-quarter earnings would be lower than analysts expected. The stock fell $11.375, to close at $32.875 a share in heavy composite trading on the New York Stock Exchange.

Best Buy blamed its tempered earnings forecast on lower sales and higher costs

Please Turn to Page A1, Column 4

**U.S. Conducts Probe Of Whirlpool, Others On Pricing Practices**

Continued From Page A2

associated with its rapid expansion. At the same time, it reported that November sales in stores open a year or more jumped 17%.

Best Buy said its per share earnings in the Nov. 26 quarter would land between 40 cents and 43 cents a share, somewhat lower than the 47 cents a share that analysts had predicted.

Donald I. Trott, retail analyst for Dean Witter Reynolds, said the earnings shortfall was brought on by growing pains as Best Buy opened 34 stores in the third quarter. To meet Best Buy's onslaught, competition in the nine new markets that Best Buy entered cut their prices and boosted advertising, causing Best Buy to respond in kind. The development, along with stiff price competition in all its markets in televisions, videocassette recorders and computers, cost Best Buy $2.5 million of pretax earnings, Mr. Trott estimated.

Best Buy also had higher than planned inventory expenses related to the new stores and to gearing up for holiday business, which lowered its pretax earnings an additional $1.5 million. In total, the development cost Best Buy about $4 million in pretax earnings and $2.5 million aftertax, or about five cents a share, which equals the forecasted earnings shortfall, said Mr. Trott.

Best Buy operates 202 stores, up from 151 at the end of 1992, and analysts estimate Best Buy will reach sales of $5 billion this year, up from sales of $3 billion last year.

THE WALL STREET JOURNAL FRIDAY, DECEMBER 5, 1993
Fix Washington Before It Enslaves Us All

By Tom Bethell

The first duty of government, Cicero wrote more than 2,000 years ago, is to ensure that "private citizens suffer no invasion of their property rights by act of the state." But as James Bovard amply documents in "Lost Rights: The Destruction of American Liberty," his era's understanding of those words has been lost.

Much of the property destruction is a result of the outrage of the Environmental Protection Agency. Its regulation of wetlands, the government itself concedes, was "a fraud committed on the public by the agency." The Supreme Court prevented the agency from imposing its regulations on private property in 1983, but that decision has been overruled by the Court's 1992 ruling in United States v. Jones, which allowed the EPA to regulate the disposal of materials into wetlands.

Property rights are the default protection of society, not a special privilege granted by government. But the EPA and the Army Corps of Engineers, bureaucrats who have taken their lead from President Bush ("no new taxes"), and Mr. Bovard points out, the U.S. Congress never made regulations explicit in legislative language. It was government by bureaucratic excess. "The outrages of the Environmental Protection Agency are now so numerous, so diverse, so large in scale, that they are threatening the economic use of the land," Mr. Bovard concludes.

One of the greatest outrages in recent years is that tens of thousands of citizens have lost the economic use of their property through the interpretation of 'wetlands' regulations by the EPA and the Army Corps of Engineers. Bureaucrats have taken their lead from President Bush ("no new taxes") and Mr. Bovard points out, the U.S. Congress never made these regulations explicit in legislative language. It was government by bureaucratic excess. Hundreds of property-rights groups were organized in response, and the Democratic Congress reaped the whirlwind.

When property is insecure, no other right is likely to be secure either. As Mr. Bovard shows, the freedom of contract-the right to exchange property on terms that are agreeable to both parties-has also been seriously eroded. In area after area, officials "have asserted a prerogative to make decisions for individuals," prohibiting them "from making their own best bargains," he writes. It is a federal crime, for example, for a woman to sew buttons on a dress for pay in her own home. The same government that cracks down on these home-workers is happy to pay welfare to millions who do nothing.

This is the strange world that we live in. No one is better at exploring it than Mr. Bovard, who is a true free-lancer, working out of his own home without institutional support. No other researcher, I believe, has so painstakingly exposed government's recent encroachments on our liberties.

Having said that, perhaps I might draw attention to what is I think a defect in his book. His technique is to advance a thesis and then to support it with literally dozens of examples, crammed back to back. His o.p.e.d pieces on these topics-many of which have appeared in The Wall Street Journal over the years—work well because he has four or five illustrations of the latest government outrage document the point and give the reader good value. But a multiplication of illustrations is not a satisfactory way to attain book length. At some point the exhaustiveness of the research becomes exhausting to the reader, and the book is not an easy read, despite its lucidity and clarity of style.

The solution, no doubt, is to think of "Lost Rights" more as a reference work than as bedside reading. In addition to more than 2,000 footnotes, it includes an excellent index. Mr. Bovard's unrivaled research has resulted in a virtual encyclopedia of modern government abuse, and that is where its true value lies.

Mr. Bethell, Washington correspondent of the American Spectator, is writing a book on property for Random House.
GATT Rules Could Make It Easier For U.S. Firms to Succeed Abroad

By WADE LAMBERT

WASHINGTON - The World Bank this week approved two major operations that will allow Pakistan's long-delayed Hub River power project, valued at $83 billion, to proceed despite a stiff but unsuited legal challenge from an Islamic court. A new World Bank loan of $250 million will help replenish Pakistan's Private Sector Energy Development Fund, which has underwritten some of the initial costs of the project in Balochistan, some 40 kilometers northwest of Karachi. In addition, the bank is extending a political-risk guaranty for as much as $240 million of commercial loans to Hub Power Co., the private-sector owner of the project.

The bank said its guarantee will enable Pakistan's Prime Minister Nawaz Sharif to proceed despite a still-unsettled legal issue. Some lawyers say they expect to find themselves competing on more equal footing as aspects of GATT are implemented by the countries that sign on to the agreement, which was approved by the Senate last night.

GATT "may expand market opportunities for law firms," which will allow Pakistan's long-delayed Hub I power plant as well as for various related projects to be completed in March 1997.

The World Bank's guarantee will help replenish Pakistan's Private Sector Energy Development Fund, which has underwritten some of the initial costs of the project in Balochistan, some 40 kilometers northwest of Karachi. In addition, the bank is extending a political-risk guaranty for as much as $240 million of commercial loans to Hub Power Co., the private-sector owner of the project.

The bank said its guarantee will enable Hubco to draw additional financing from international markets. The 1,292-megawatt oil-fired steam plant, the largest of its kind planned for Pakistan, is expected to be completed in March 1997.

The Pakistani Islamic court threw legal cloud over the project in 1990 by calling for a cessation of all its interest-bearing transactions. The government of Prime Minister Nawaz Sharif appealed the ruling, but the Pakistani Supreme Court has yet to hear the case.

The World Bank's intercession is a break for Mitsui & Co., which heads the consortium that has been organized to build the plant, and for National Power of the United Kingdom, which will operate the facility.

The World Bank's $250 million loan is part of a package that includes $10 million in credits to raise as much as $2.39 billion for the thermal-power program. Karachi intends to complete the plant, and for National Power of the United Kingdom, which will operate the facility.

The World Bank's guarantee will be packaged with similar instruments, including a $125 million guaranty from the Japan Export-Import Bank and $10 million in credits from the French government.

Likewise, the World Bank guarantee will be packaged with similar instruments, including a $125 million guaranty from the Japan Export-Import Bank for a separate loan that is syndicated by the Bank of Tokyo, Sakura Bank Ltd., Citibank (a unit of Citicorp), Credit Lyonnais and other lenders.

The Hub River project is the linchpin of Pakistan's plans to privatize its entire thermal-power program. Karachi intends to raise as much as $2.39 billion for the power plant as well as for various related projects, including a pipeline to transport fuel oil to power-plant sites.
German Gains Signal Europe's Recovery Holds

By TERENCE ROTH

Staff Reporter of THE WALL STREET JOURNAL

BRUSSELS — An unexpected jump in western Germany's industrial output in October indicates that Europe's recovery is still barreling along in the fourth quarter, challenging some slightly bearish forecasts.

"It's a pattern we're seeing in essentially all European countries, where recovery will broaden its base as rising consumer confidence brings on more consumer spending," said Brian Martin, an economist with Citibank in London.

Western German industrial production climbed a seasonally adjusted 1.6% in October from September, and rose 5.1% from October a year ago, Germany's Economics Ministry reported. In addition, the output index for September was revised upward to show a 1.1% increase from August instead of the 0.2% decline originally reported.

The higher output figures were welcomed, especially on the heels of a 2.3% drop in output in August compared with July. That report had prompted concern that Germany's recovery was perhaps petering out.

Robert Prior at James Capel & Co. in London noted that fears of a slowdown in Europe are overdone and that, if anything, the European recovery is strengthening. "The German October number, which was much stronger than expected, confirmed that," he said.

The European Commission in Brussels also remains optimistic. The commission recently projected that the European Union's economy will expand by 2.6% in 1994 and by a robust 2.9% in 1995.

As of the beginning of the fourth quarter, average capacity utilization in the EU rose to 88.6% in the third quarter and from 78.5% only six months earlier. Capacity numbers in November were especially encouraging in Britain (85.3%), the Netherlands (84.5%), France (84.6%) and Germany (83.5%).

Many economists still expect Western Germany's gross domestic product in the fourth quarter to expand only about 0.5% from the third quarter. That would mark a slowdown from a 1% quarter-on-quarter increase in the second quarter. The German government is expected to report official third-quarter GDP figures next week.

That isn't necessarily bad, contends Stephan Schneider, a German economist for S.G. Warburg in Frankfurt.

"The economy isn't slowing down but is settling down to a normal growth rate," he said. Another 1% expansion in western German GDP in the fourth quarter could prompt Germany's central bank to raise interest rates sooner rather than later, he said.

Indeed, Britain already has bumped up interest rates this year and Denmark is expected to follow as its fast-growing economy begins experiencing bottlenecks. European economists, trying to predict when Germany's Bundesbank will begin tightening credit reins, tend to agree that the rate increase won't come until next spring or later. But each new burst of business activity would be likely to intensify the Bundesbank's legendary inflation angst.

Still Moving Up
Western German industrial production index

Moscow Drops a Last-Minute Bombshell
On NATO Ministers' Expansion Study

By CHARLES GOLDSMITH

Staff Reporter of THE WALL STREET JOURNAL

BRUSSELS — Russian Foreign Minister Andrei Kozyrev stunned a meeting of North Atlantic Treaty Organization foreign ministers by refusing to sign new partnership agreements with NATO because Russia was upset over a new study by the alliance on expanding its membership into the former Soviet bloc.

The NATO ministers had just approved a U.S.-led plan that ordered a 12-month study on what would be required to integrate East European members into the alliance. The plan, which avoided naming names or dates for NATO expansion, was considered by most alliance officials as a cautious step beyond NATO's year-old Partnership for Peace program for Eastern Europe.

But Mr. Kozyrev, departing from his prepared text in a speech to the NATO ministers, said the new plan risked drawing fresh dividing lines in Europe. He declined to initial a detailed plan for Russia's participation in the Partnership for Peace plan and a separate document that called for a "special" dialogue between NATO and Russia. The alliance had expected Mr. Kozyrev to endorse both documents.

Cold War Chill
"It's really an unpleasant surprise," a NATO official said. "We've been surprised by the Russians before, but we thought we'd turned a corner. This has that old unpleasantness to it."

Mr. Kozyrev told the ministers, "If the strategy of NATO has changed, then that is something which requires further discussion: That communiqué raises serious questions than it answers. We have to understand what are the intentions."

At a joint news conference with NATO Secretary-General Willy Claes, Mr. Kozyrev said Russia wasn't rejecting the NATO documents, but needed time to study them before talking to the alliance again. "As a first impression," he said, the new NATO strategy appeared to be a "shift" from the alliance's go-slow approach toward expanding into Eastern Europe.

Claes Says Policy Isn't New

For his part, Mr. Claes said there had been "no change in our policy or strategy," because NATO said last summer that its expansion would be "evolutionary in nature." "Why shouldn't we start an internal dialogue?" he asked. "It seems quite sensible to us."

NATO officials were seething. One said it was "disingenuous" for Mr. Kozyrev to suggest that Russia was surprised by the communiqué, given the extensive briefings its officials got in recent weeks.

"Russia is making a grave mistake if they think this is the best way to deal with the enlargement issue," he said. "The thing that will most speed up NATO's enlargement into Eastern Europe is if the Russians refuse to engage with us."

On Bosnia, the NATO ministers called for renewed talks to settle the 3½-year-old war after the U.S. signaled it now agreed with its European allies that diplomacy, not stepped-up military action, was the way to end the fighting. Foreign ministers from the five-nation "contact group" on Bosnia, comprising the U.S., France, Britain, Germany and Russia, are scheduled to meet in Brussels today.
French Proposal to Restrict Reporting On Scandals Has Media in an Uproar

BY PETER TRUVELL
Staff Reporter of THE WALL STREET JOURNAL

PARIS — France is in an uproar over a measure in Parliament that would end, or at least severely curtail, most media reporting of the growing round of scandals upsetting the country's political and business establishments.

The Marsaud amendment stipulates "any information relating to a person who is the object of a judicial inquiry into or under judicial investigation, can't be published, except with that person's specific permission."

The measure is named after its sponsor parliamentary deputy Alain Marsaud. It said that such information may be reported only after a case goes to court. Almost all of France's scandals, or affaires, which involve charges of illegal political financing and other financial misdeeds, are still in the early stages of investigation and have yet to go to court. The amendment was adopted on its first reading by an empty National Assembly late on the night of Nov. 21. One of the dozen or so deputies present voted against the bill, according to reports of the proceeding.

Outcry From the Media

The Marsaud amendment has produced an outcry from the French news media. Mr. Marsaud "might have at last found the means to stop the 'affaires,' which pollute not only democracy, not only politics, but also the presidential campaign of the candidate who will win the run-off election," said communist Sergei July wrote in the daily newspaper Liberation.

"That's time to put an end to the continual violation of our law," Jean-Francois Hory, leader of the MRG party with Mr. Tapie, said in interviews last week. Most of the reporting of the scandals has relied on leaks that are widely believed to come from the offices of investigating magistrates.

French law relies on a presumption of innocence for those under investigation, and the preliminary stages of judicial investigations are supposed to remain secret. Though the law is rarely enforced, legal professionals who willingly break this subject to prison terms of one to six months and a fine.

In interviews last week, two leading defense lawyers, Jean-Francois Prat and Jacques Boedels, said they felt some new limits on reporting the investigations would ensure fairness.

Anonymous' Justice

"Good justice must be, and must remain, anonymous," said Mr. Prat, a partner at the law firm of Bredin-Prat. Mr. Prat said he didn't think that the legislation was specific enough for such a complex problem and might be difficult to enforce.

Some commentators say the bill won't pass the Senate. But late last week, Henri Nallet, a former Socialist Justice minister, and one of those targeted by investigations.

Three Ousted Ministers

The RPR, and its coalition partners, has borne the brunt of revelations about matters under investigation. The scandals have led to three ministers resigning from the Balladur government: Alain Carignon, minister for communications; Gerhard Longuet, minister for industry; and Michel Roussin, minister of cooperation.

Mr. Carignon, who is being investigated for alleged corruption relating to financial support given to his political campaigns in the Alpine town of Grenoble, is in jail, in so-called preventive detention.

Mr. Longuet was investigated for alleged underpayment of his salary, and Mr. Roussin is under investigation for alleged fraud related to false invoices. All three have denied any wrongdoing.

The RPR party also has reasons for preferring less reporting of the scandals. Mr. Tapie is under investigation for alleged offenses including tax evasion, fraud and swamping bribery in relation to alleged rigging of soccer matches. Mr. Tapie also has denied any wrongdoing and said he's being victimized.

The Marsaud amendment has produced a precedent for the measure occurred in the last Socialist government. When some left-wing politicians were threatened by judicial investigations, the National Assembly and Senate voted through a blanket amnesty for those under investigation, including many of those targeted by the investigations.

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China's Communist Party Chief Jiang Bolsters Status as Deng's Heir Apparent

BY KATHY CHEN
Staff Reporter of The Wall Street Journal

BELING -- This has been a good year for Jiang Zemin, the 68-year-old general secretary of China's Communist Party. Former China's Communist Party boss Deng Xiaoping died as a political lightweight.

He has succeeded both in promoting his image as a statesman and shoring up his position as heir-apparent to China's paramount leader, Deng. His most recent accomplishment: a tour of Southeast Asia, where, among other things, he met with President Jimmy Carter and other world leaders at the Asia-Pacific Economic Cooperation forum in Indonesia and made a landmark visit to his erstwhile enemy Vietnam.

Mr. Jiang has surprised critics with his agile maneuverings that have placed him ahead in the race to succeed Mr. Deng, who just turned 90 years old and is in frail health. He has strengthened his positions in the military, in the party, and in the economic and foreign-policy arenas. He has placed key supporters—many from Shanghai, where he was mayor and then party chief in the 1980s— in senior posts, creating what some analysts have dubbed the Shanghai faction.

Mr. Jiang's ability to remain as head of the current collective leadership, which includes his obvious opponents for the chief post, Premier Li Peng and Vice Premier Zhu Rongji, would go a long way toward ensuring the stability that observers agree is essential for China to continue its economic development.

Faulted for Lack of Vision

Still, the party chief has shown little sign of the talent or vision that China needs in its leaders as it continues the difficult transition to a market economy. Many political pundits are still betting that those shortcomings and Mr. Jiang's lack of strong connections among the centers of power could spell his demise within a few years after succeeding Mr. Deng.

The Southeast Asia trip was one effort to boost his standing. But for the most part, Mr. Jiang has focused his efforts on the home front, targeting the party and the military, China's two main power sources.

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The Southeast Asia trip was one effort to boost his standing. But for the most part, Mr. Jiang has focused his efforts on the home front, targeting the party and the military, China's two main power sources. Even though he has held the top posts in both situations since 1989, his influence hasn't always matched his titles. So over the past year, he has launched a sweeping campaign to strengthen the party's leadership role in government. He also promoted 19 generals and placed supporters to senior positions in the People's Armed Police and the palace guard, which oversees the leadership's security.

Mr. Jiang has even moved allies into areas that don't fall under his purview, such as the economy, which has been managed by Vice Premier Zhu, another former Shanghai mayor, and to a lesser extent, Premier Li.

"Jiang is getting stronger, while Li is getting weaker and Zhu is getting weaker," says an economist at a government think tank. While the three men seem to have struck a working relationship, Mr. Jiang isn't believed to get along well with Mr. Li, with whom he is said to have fought over power, or with Mr. Zhu, with whom he is said to have argued over working style and views.

One Jiang ally, Wu Bangguo, the former Shanghai party chief whom Mr. Jiang elevated to the Party Secretariat in September, has taken over the portfolio for enterprises and industry, says economists and government officials. Speculation abounds that he will be named vice premier in charge of industry by the National People's Congress next year.

Another recent promotion by Mr. Jiang, former Shandong province party chief Jiang Chuanyun (no relation), is believed to have taken responsibility for agriculture. Jiang Chuanyun "hasn't had a lot of contact with Jiang [Zemin] in the past, but he owes his allegiance to him," says the government economist.

Media Support

Mr. Jiang has also placed supporters in high-level positions in the media. In March 1991, a former Shanghai magistrate, Xu Guangchun, took over as deputy editor-in-chief of the Guangming Daily, China's main newspaper for intellectuals. Mr. Xu, who had headed the official Xinhua news agency's Shanghai office "doesn't have any ability," says a political scientist. "He's just loyal to Jiang.

The party chief is also thought to have close ties with editors at the People's Daily, China's largest newspaper, and the Liberation Army Daily, the party's official publication.

While Mr. Jiang's power might be growing, understanding of his views isn't. Born in 1926 in the eastern province of Jiangsu, Mr. Jiang studied electrical engineering in the Soviet Union before taking a top position in the Ministry of Electronics Industry. He rose to the top party post after Beijing's crackdown on the Tiananmen democracy protests in June 1989, a compromise candidate to replace the disgraced party chief Zhao Ziyang.

Critics dismiss Mr. Jiang as a "weather vane" turning with the prevailing political wind. With Mr. Deng still around, the breeze has been vaguely reformist, but with his emphasis on caution and loss of party propaganda. For example, Mr. Jiang recently promoted "Viewing China Through a Third Eye," a book that advocates an authoritarian realists and criticizes Mr. Deng's reforms. But when Mr. Deng got wind of it, Chinese sources and Western diplomats say, the book was banned.

Foreign visitors and official biographies note Mr. Jiang's penchant for reciting the Gettysburg Address, in English, as well as Tang Dynasty poetry. Yan Jiaqi, a visiting scholar at Columbia University and an adviser to Zhao Ziyang when Mr. Zhao was still party boss, describes Mr. Jiang's abilities. "He's a party secretary, but he has no self-respect," says Mr. Yan. "He's never expressed any clear views on China's development."

But, as one Western diplomat, "Since when was it necessary for leaders to be visionaries? Jiang has built himself a power base, and I think he could be here to stay."

THE WALL STREET JOURNAL FRIDAY, DECEMBER 2, 1994
Exports From Singapore Keep Surging / Despite the Weakness of the U.S. Dollar

By JESSE WONG

SINGAPORE—Exports from Singapore keep surging, despite the weakness of the Singapore dollar against the U.S. dollar. Even amid the U.S. dollar's global weakness, the Singapore dollar's 9% rise this year against the U.S. currency stands out. And in theory, the Singapore dollar's gains ought to sap export competitiveness.

As the Singapore dollar rises, products made here should cost more in U.S. dollars when sold to customers abroad. But thanks mainly to high-tech products, that economic scenario isn't the case in Singapore. Indeed, total exports in 1993's first nine months rose 22% in value over the same period a year ago.

At Compaq Computer Corp., for instance, there's been no major impact from the stronger Singapore dollar, says Kirk Moul, a Compaq manager based in this city state. Mr. Moul oversees the Houston-based personal-computer maker's manufacturing operations in Singapore and China.

The reason for the paradox: Electronics manufacturers, on average, purchase about 70% of their components and materials from abroad. For them, a strong Singapore dollar means cheaper imported components. Many manufacturers say that by passing on savings to their overseas customers they are able to cancel out much of the upward pressure on product prices from the strong Singapore dollar.

The major currency in the electronics sector is the U.S. dollar, and the bulk of our component purchases is in U.S. dollars," says an official at Aztech Systems Ltd., a maker of PC multimedia peripherals.

Electronics manufacturers by and large operate highly automated factories. Labor and general overhead—bills that have to be paid in Singapore dollars—constitute a relatively small part of their overall costs. Aztech has managed to cushion itself on this front with currency-hedging strategies, the company official says.

At Oaktech Industries (S) Pte. Ltd., a manufacturer of PC disc-drive components, materials account for 80% of product costs. Labor takes up an additional 15%; other operating costs account for the remainder. Virtually all materials are imported. And with prices on that front mostly stable, the company isn't too worried about increases elsewhere, says Edmund Mok. Oaktech's managing director.

Besides, business is simply too good for the company to fret over small cost increases. Oaktech supplies its products to other Singapore manufacturers, which in turn ship their finished products to overseas buyers. They continue to be overwhelmed by orders from their main markets, including the U.S. "Our volumes have been up 20% to 25% since the beginning of the year," Mr. Mok says.

For big multinationals such as Compaq, complex product sourcing systems, cost structures and hedging strategies make it hard to isolate the impact of individual currency movements. On the whole, Compaq's Mr. Moul sees exchange rates as just one cost consideration in Singapore. It doesn't add up to a serious problem for Compaq or Singapore—for now.

"If you take the whole package, it's still competitive even though costs are going up," Mr. Moul says. If this trend persists over a long period, "it would become a factor in terms of our allocation of business," he adds.

The local currency's strength against the U.S. dollar is due in part to the large capital flows drawn in by Singapore's buoyant economy, further reinforced by weak sentiment towards the U.S. dollar. In times of high economic growth, it tends to allow the Singapore dollar to appreciate, which in theory should damp inflation. Against other major currencies such as the German mark and Japanese yen, the Singapore dollar is mixed. But against the U.S. dollar, the Singapore dollar has soared. The Singapore unit stands at S$1.464 to the dollar in Asian trading this week, about 9% above where it ended in January.

A stronger local currency appears to suit the Monetary Authority of Singapore at the moment. The central bank, which manages the local currency's exchange rate against a basket of foreign currencies, considers combating inflation a key priority. In times of high economic growth, it tends to allow the Singapore dollar to appreciate, which in theory should damp external demand and act to keep the prices of imported goods in check.

Continued strength in the local currency can be painful for some businesses, though, including manufacturers that source materials locally and large segments of the service sector such as hotels and Singapore Airlines.

Arid rising office and residential rents and a tight labor market, the currency's appreciation is fueling concern over Singapore's overall competitiveness as a place to do business.

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Canada Outs-lines Plans / For New Equipment / For Its Armed Forces

By JESSE WONG

OTTAWA — The Canadian government plans to purchase for its armed forces new helicopters and armored personnel carriers, and possibly four used conventional submarines from Britain.

The spending plans were disclosed in a government policy document that also announced further cutbacks in military personnel and the government's intention to mothball many of its fighter planes.

Canadian Defense Minister David Colenette, who submitted the blueprint to Parliament, didn't say how much the government intends to spend on the equipment. But, he said the planned outlays will have to be offset by spending cuts elsewhere in the defense department. He said the air force will eliminate its fleet of 80 CF-5 fighter aircraft, which are used mainly for training purposes. It also will scale back its CF-18 squadron to as few as 48 aircraft from 72.

The government also intends to reduce the defense department's military and civilian work force by a combined 33,800 people, or 25%, by 1999.

Mr. Colenette said the government will explore "innovative" financing methods to cover some of the proposed expenditures, including possibly leasing certain equipment, such as search-and-rescue helicopters, from private operators.

Canada intends to have a new helicopter fleet in service by the end of the decade. The fleet will replace Canada's 30-year-old Sea King helicopters, which are used for military surveillance, and its Labrador search-and-rescue helicopters.

The government said it intends to take delivery of the armored personnel carriers starting in 1997. It didn't say how many helicopters and armored vehicles it intends to purchase.
Gramm Bids
To Cut Spending
Reagan Couldn't

Giddy Republicans and grumpy liberals are asking how the 1990 GOP ascendancy differs from the last one of 1980. Here's an early tip: The Laffer Curve may be supplanted by the Gramm Curve.

Economist Arthur Laffer's famous curve, the symbol of the Reagan tax cuts, held that sometimes tax rates can actually raise tax revenue. This column works, it thinks, but liberals and other groups blame it for the deficits of the 1980s.

Now in the 1990s comes Sen. Phil Gramm, Texas Republican and presidential hopeful, offering a different alchemy to tax cut heaven. He says we don't need to refight the 1980s' battle—for example, over whether a cut in the capital gains tax will generate more tax revenue. That's wasting political capital, he says yesterday in his Capitol Hill office.

Yes, the Texas right wants to cut capital gains taxes and double the federal exemption to $2,000 a person from $2,500. But the Clinton White House wants to assert, spending can be cut. But Mr. Gramm is fine with Mr. Gramm.

"It is has been fascinating to watch Newt Gingrich and Dick Armey, in line to be the first Republican speaker and majority leader, respectively, in 40 years, as they play this historical transition. Mr. Armey and Mr. Gingrich have managed to put aside two formidable egos (Newt has put aside Arney's) and have just added yet another to a productive working relationship.

In making the case last week for playing defense—"I'm not looking for a rearguard action, but..."

And in case you missed it,” he said, adding, "You were the devil."

"You're the devil."

Mr. Gingrich smiled back. "Isn't this fun?"

It is. Democratic congressional staffers are telling anyone who will listen that we are going to find governing tougher than we think, and that we don't have the skills necessary to be the majority. Maybe. But the point here is falling in to the benefits of majority status.

Last week two workers came into Mr. Armey's personal office. They are currently tearing up the sidewalks around the Cannon House Office Building and you have to go through plywood tunnels to get in. They told the staff the noise was going to be pretty loud for a few weeks, but that shouldn't be a bother since Congress was out of session anyway and probably won't be having many meetings here.

"Well, we're actually planning lots of meetings here," scheduler Julie Nichols said.

"Congressman Armey is going to be here a lot during this break this year."

This news struck like lightning. "We're in Armey's office," the younger worker said to his supervisor with some excitement.

"And in case you missed it."

"He said, 'Why don't you have Mr. Dreier call Mr. Cardin.'"

"Mmmmm. why don't you have Mr. Cardin call Mr. Dreier,'" the GOP staffer replied.

"It's a good look at realization crossed his face. "Right," he said.

Yes, in some instances learning the skills of being in the majority will definitely be easier than learning the skills of being in the minority."

Mr. Gigot is the policy and communications director of the House Republican Conference.
Richard Herrnstein and I didn’t really write the book people are saying we wrote, did we? We didn’t.

The Real ‘Bell Curve’
MEXICO CITY—One of the major challenges Mexico must face in the next few years concerns the promotion, modernization, and financing of small and medium-size companies. These companies are one of the major sources of employment in Mexico. Their modernization and consolidation is important, not only because of their contribution to gross domestic product, but because of the critical role they play in expanding Mexico's entrepreneurial base and in the development of a majority middle class.

In order to modernize, these companies must revamp their technologies and adopt modern administrative and marketing practices, all of which require relatively high capital investments. Yet another pooling mechanism could be used to finance working capital, and used to structure composite portfolios with stock from several companies. Shares of these portfolios could then be purchased either in blocks by financial institutions or in loose shares by the general public. Pre-emptive rights clauses could be considered to allow the original owners to buy back the stock from the general public.

When faced with the need to modernize, these companies can hardly qualify for additional loans, nor can they undertake the investment with their own resources. Developing additional sources of financing will be a necessary but not sufficient element in this process. Professionalizing mechanisms should be devised to avoid collusive practices or special deals.

The future development of Mexico requires that small and medium-size companies take a far more active role in exploiting the opportunities for growth in the country's new macroeconomic stability. Finding additional sources of financing will be a necessary but not sufficient element in this process. Professionalizing mechanisms to support smaller companies' administration is the key element that can, once and for all, consolidate their position and ensure their prominence in the Mexican economy.

Mr. Rogozinski is president of Banamex, a government development bank. He was head of Mexico's privatization program from 1986 to 1991.

THE WALL STREET JOURNAL FRIDAY, DECEMBER 2, 1994

A Plan to Resuscitate Mexico’s Entrepreneurs

The Americas

By Jacques Rogozinski

According to the Wall Street Journal, companies in Mexico that need to modernize, these companies can hardly qualify for additional loans, and neither can they undertake the investment with their own resources. Developing additional sources of financing will be a necessary but not sufficient element in this process. Professionalizing mechanisms should be devised to avoid collusive practices or special deals.

The future development of Mexico requires that small and medium-size companies take a far more active role in exploiting the opportunities for growth in the country's new macroeconomic stability. Finding additional sources of financing will be a necessary but not sufficient element in this process. Professionalizing mechanisms to support smaller companies' administration is the key element that can, once and for all, consolidate their position and ensure their prominence in the Mexican economy.

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Year of the Woman—II

Remember the Year of the Woman: That was 1992, when four new female Senators and 27 House Members were elected. Truth to tell, the media celebration was over the Year of the Democratic Woman, which is supposed to mean, we guess, that gender predetermines a certain kind of politics. Well, theories come and go, and that one came under a lot of pressure in November’s election, whose outcome rightly may be called Year of the Woman—II.

Though at least 11 new women were elected to the House this month, much less attention is being paid to them than their 1992 counterparts. That may be because at least seven are Republicans. (Susan Brooks of California and Susan Stokes of Kentucky are challenging the razor-thin victories of their Democratic opponents.) Kate O’Beirne, the vice president for government relations at the Heritage Foundation, says the new GOP women are largely conservative, but “you don’t see many journalists panting to report that.”

For the first time in more than 50 years, two women will chair standing committees of Congress. With the shift in Senate control to Republicans, Senator Nancy Landon Kassebaum will chair the Labor and Human Resources Committee. She has ambitious plans to turn welfare programs and funding back to the states because “we have tried and shown we can’t solve the problem in Washington, D.C.” It seems fitting that the daughter of Alf Landon, the presidential candidate buried in Franklin Roosevelt’s 1936 landslide, should now try to reverse the centralization of government programs her father vainly warned against.

In the House, the Small Business Committee will be chaired by Republican Jan Meyers of Kansas. She hopes to lift stifling regulations on the sector most people believe is the soul of the modern economy. The dissatisfaction with Washington that small business feels can’t be exaggerated. A nationwide poll by the Small Business Survival Committee found two-thirds of owners and employees believe the government is a serious obstacle to their pursuit of the American Dream.

In any event, we suspect the notion that a quotable congressional woman begins and ends with Rep. Pat Schroeder’s comments on anything will soon be put to the test. Many of the new GOP female Members bring prior political experience to their jobs and will be heard from. We thought we’d introduce them to you:

- Olympia Snowe of Maine. A moderate House Member for 10 years, Ms. Snowe won the Senate seat of the retiring George Mitchell with an astounding 62% of the two-party vote.
- Barbara Boxer of California. A two-term incumbent. She has been active in the property rights movement and hopes to rein in runaway environmental legislation.
- Melinda Dychtwald of Idaho. Democrats didn’t take her seriously when she ran for the Senate seat of the retiring George Mitchell with an astounding 62% of the two-party vote.
- Andrea Seastrand of California. A two-term mayor of Charlotte, the state’s largest city, Ms. Myrick calls herself a “kamikaze” politician who wants to do whatever it takes to lower taxes and fix welfare no matter what the political consequences.
- Susie Mynick of North Carolina. A former two-term mayor of Charlotte, the state’s largest city, Ms. Myrick calls herself a “kamikaze” politician who wants to do whatever it takes to lower taxes and fix welfare no matter what the political consequences.
- Linda Smith of Washington. The manager of several tax preparation offices, Ms. Smith led a successful state initiative effort to require citizen approval of tax increases. She won the GOP nomination for Congress with a Herculean write-in effort and then went on to beat a three-term incumbent.
- Enid Greene Waldoz of Utah. A former deputy chief of staff for Utah’s governor. Ms. Waldoz is a strong supporter of Congressional reform and wants to restrict the power of conference committees.

As you can see, the new GOP female House Members aren’t about to be invited to address the National Organization for Women. Indeed, there is already an alternative organization for women—the Women’s Freedom Network, begun by Jeane Kirkpatrick, Abigail Thernstrom, Rita Simon and Christina Hoff Sommers.

Finally, let us note that Ellen Sauerbrey, a conservative woman, came within a hair of becoming governor of traditionally liberal Maryland, though her candidacy was dismissed as a non-starter when she ran for the GOP nomination. So while this new class of women in politics hasn’t received much attention, we guess at least one important group somehow noticed—the voting public.
Big Mac Meets Big China

China may be a big country, but Western business interests lately have had no trouble seeing their huge partners throw its weight around. First came reports last month of the likes of Lehman Brothers, Merrill Lynch and Credit Lyonnais going to court after being stiffed by Chinese counterparts. Now, in the nothing’s-forever atmosphere of Chinese business, no less a foreign investor than McDonald’s finds itself being told by the Chinese to hit the road, Mac.

About two years ago, the folks from the Yellow Arches opened a mammoth 700-seat McDonald’s in Beijing on the busy corner at Wangfujing Street and the Avenue of Eternal Peace. The site, just two blocks from Tiananmen Square, boasts the busiest fast-food joint in the celestial kingdom or anywhere else. They had a 20-year lease, or thought they did.

The Beijing municipal government just announced that Ronald McDonald’s biggest, busiest eatery must give up its prime location to make way for Li Ka-shing, the Hong Kong property impresario. Out of the rubble of Ronald’s hamburger shop, the developer will erect a complex of commercial, office and residential spaces. Someone in the Beijing government even said there’d be room there for a McDonald’s, in about three years.

Ronald, no doubt, will take the setback philosophically. You can’t push umpteen billion burgers and shakes across counters in every part of the globe without learning something about the foibles of politicians.

Nor, we imagine, would Mickey Doo be one to stand in the path of progress. Assuming, of course, that Mr. Li was recently surpassed as Hong Kong’s richest man, so it’s nice that Beijing still gives him the time of day. Of course, he was helpful when the children of several Communist Party elders ventured down to Hong Kong to try their business luck. Many of these so-called Red Princelings grew up during the Cultural Revolution and no doubt feel they “deserve a break today.”

Ronald’s associations took him into less exalted circles. His connections are with the millions of ordinary Chinese who, once they got a few dollars in their pockets, headed straight for McFood. Observers have noted that the Shenzhen McDonald’s is cleaner than some of that boomtown’s five-star hotels.

There’s been some talk about the developer and McDonald’s working out compensation. So it’s nice to see at least that Western business practice gaining some elevation on the mainland, even if the inviolability of contracts and the like sit further down the learning curve.

Asides

Stashing It Away

A quiet movement to skirt income taxation is growing in the form of salary-reduction plans, according to the Employee Benefit Research Institute. These allow people to redirect a portion of their pre-tax earnings to street in Atlantic City and ended up having to build its casino and hotel around them, their own, opponents’ sentimental view is that Atlantic City was better off without Playboy, but never mind.

The city fathers of Beijing think they know best. Yet they might consider their debt to McDonald’s. After all, the folks in Oakbrook, Illinois, announced plans to build the world’s biggest franchise just months after the unpleasantness in Tiananmen Square, when the regime was in bad odor with the city’s residents. They now have some 22 restaurants in China. Predictions at the time saw the Communist Party hanging by its heels within months. But China’s people were soon distracted again by making and spending money and seemed to forget all about politics.

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USA SNAPSHOTS

**Future leader's future**

Bob Dole is expected to be elected Senate majority leader today. How many Senate majority or minority leaders have gone directly to the presidency?

A. None
B. Three
C. Five

**GATT vote called 'victory for America'**

By Marilyn Greene
USA TODAY

The United States is the newest member of a global trade pact expected to pump billions into the world's commerce in the next decade.

President Clinton called Thursday's Senate approval of GATT, the General Agreement on Tariffs and Trade, "a bipartisan victory for America."

The 124-member agreement reduces tariffs on international trade by an average of 37%.

The 76-24 vote came after 20 hours of Senate debate, House approval and 7½ years of negotiations that generated a nickname: the General Agreement to Talk and Talk.

Before giving final approval to GATT, the Senate mustered 68 votes — more than needed — to win a budget waiver needed to implement the pact.

On Jan. 1, the trade pact creates the World Trade Organization, arbiter of trade disputes.

Opponents say the WTO threatens U.S. sovereignty, U.S. jobs and fails to address environmental concerns and labor standards.

> Credit may go to GOP, 4A

**Rating the parties**

**GATT vote**

> Republicans are enjoying a strong post-election boost of support from people expecting the party to make sweeping changes in Washington.

A new USA TODAY/CNN/Gallup Poll finds a major political shift in the wake of last month's GOP rout in Congress and many statehouses:

- 76% view the GOP favorably, compared with only 55% favorable for Democrats.
- 64% agree with GOP views on what the role of government should be.
- 54% say its political stands are "about right."

In addition, nearly 80% also back five of the 10 items in the GOP "Contract with America," a conservative agenda most GOP House candidates ran on.

Top priorities for passage in first 100 days among those polled:

- Tighter crime bills.
- Tax cuts.
- Stronger welfare payments.
- Balanced-budget amendment.
- Line-item veto.

"The electorate has embraced the Republican agenda. . . . It poses a challenge to us on what the role of government should be."

- 55% favorable rating is the worst score by Democrats since measures began in 1956.
- 53% say Republicans are seen better able to address such critical issues as health care, crime, the economy and welfare reform.
- Republican principles also are rated more in tune with the social mainstream.
- 66% say the GOP represents their values.
- 53% say Republicans share their attitudes about the role of religion in government.
- Republicans' score below 50% in both categories.

Sen. John Breaux, D-La., says Democrats must get back in the mainstream.

"Between Jesse Jackson and Jesse Helms is a vast middle." The poll of 1,020 adults, taken Nov. 29-29, has a 3 point margin of error.

> "Election of ideas," 7A
> Term limits popular, 7A

**Calif. county venture loses $1.5 billion**

By David J. Lynch
USA TODAY

Taxpayers in Orange County, Calif. — one of the nation's most affluent counties — could be $1.5 billion poorer because of a public official's risky investment strategy.

Orange County Treasurer Robert Citron disclosed Thursday that the $8 billion investment pool he manages for the county and other municipalities has suffered paper losses of $1.5 billion.

At fault: high-risk bets on interest rates and complex securities called "derivatives."

Orange County's loss is the worst derivatives-related blow-up this year.

"No public treasurer should be screwing around with these things," says Neal Martin of The California Municipal Bond Advisor newsletter.

Corporations, mutual funds and municipalities all lost money on derivatives this year as interest rates soared.

"We can deal with this situation," Citron said. County taxpayers could be the biggest losers: $560 for each Orange County resident.

Citron hopes to dodge his losses by holding the securities until interest rates drop.

"We can deal with this situation," Citron said. Meanwhile, Citron's adviser battled rumors it could suffer in the debacle. Merrill Lynch said there's "absolutely no truth" to reports it lost money in dealing with Orange County or is liable for the losses.

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**Public backs GOP agenda**

By Richard Benedetto
USA TODAY

Republicans are enjoying a strong post-election boost of support from people expecting the party to make sweeping changes in Washington.

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**USA SNAPSHOTS**

A look at statistics that shape the nation

**Future leader's future**

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By Anne R. Carey and Sam Ward
USA TODAY

FRIDAY, DECEMBER 2, 1994 • USA TODAY
Cover Story

Public less supportive of costly effort

Successes are few, but backers say many species "improving"

By Linda Kanamine
USA TODAY

After 12 years, 120 public meetings, dozens of studies, and $212 million, the USA is on the verge of being upended by the new GOP-led Congress.

"We now have the votes to change (the law) so people count as much as bugs," says Sen. Bob Packwood, R-Ore.

In the 21 years of its existence, the Endangered Species Act, like the gray wolf it protects, has been both vilified and revered. It put loggers out of business to save spotted owls; it hurt shrimpers to preserve sea turtles.

"Most of the turtles are being killed in inshore waters," says Pat Jones of the Southeastern Fisheries Association. "But the impact (of the rule) has been on the shrimpers who operate offshore."

But experts predict this has cut deaths by 25%, and nesting females are up to 180 in the mid-1980s.

"We're on the brink of being upended by the new GOP-led Congress. It's quite a remarkable accomplishment," says administrator Robert Davison.

"So it's going to take decades to bring it back." Yet in the vast natural laboratory, restoring an endangered species still is more art than science.

Many scientists agree that transplanting a wild wolf from one home to another stands a better chance than the riskier, radical alternative — used with the rarest species like California condors — in which generations are bred in captivity and their offspring released in the wild.

Both are crapshoots. Up to 90% of the captive-breeding black-footed ferrets released in Wyoming, Montana and South Dakota have died, though dozens have gone wild. About half the captive-breeding red wolves released in North Carolina will die.

"The blunt truth is, nobody knows what they're doing," says Allen Rutberg, a senior scientist for the Humane Society of the United States.

"Once a species is gone from the wild, it becomes an almost insurmountable battle."

More troubling is that comeback projects divert attention from fixing the problems that drive species to extinction in the first place — filled-in wetlands, clear-cut forests, paved-over prairie, says Deborah Grouse of the Center for Marine Conservation.

"If you don't identify and address the threats that made them decline, they're doomed to failure," she says.

Scientists tried a two-pronged attack to revive Kemp's ridley turtle, the most endangered sea turtle whose numbers plummeted from 40,000 nesting females in 1947 to fewer than 180 in the mid-1980s.

For 15 years, beginning in 1978, scientists took eggs from wild nests, reared turtles for nine months on South Padre Island, Texas, then released them back to the sea.

Researchers are waiting to see if any of the 22,500 hatchlings, which don't reproduce until almost 30 years old, will return.

By 1981, shrimp trawlers were required to use turtle-excluder devices - $500 to $4,300 trap-doors that let turtles swim free of fishing nets.

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A lawsuit this week delayed wolf reintroduction, just as teams were preparing to capture wolves from Alberta, Canada. Opponents argue that livestock will be killed.

"They've gone too far," says Montana cattle rancher Holley Smith. "These are constant intrusions on private property rights."

Adding to the debate, wildlife enriches property that is sold.

"The importance is that we are saving so many species from extinction," says Steve Williams, an environmental lawyer Melanie Rowland.

"We don't know the significance of the number. We get a little bit of flesh for free from nature. As we unravel it, we don't know what we're doing."

Scientists also have been complicated by the dismal history of implementing the act.

In the 1980s, the federal endangered species budget averaged just $23 million a year. It's now up to about $60 million — a pitfall for federal budget standards.

And, since the law began, more than half the money spent saving endangered species went to fewer than a dozen popular ones — grizzly bears, bald eagles, spotted owls.

In fact, that means about $5 million has been spent on every Florida panther vs. $1 or less for each of several endangered spiders, snails, mussels, rats and bats.

What but color the future most at this point will happen far from any forest or ocean.

The key action will be inside the marble halls of the nation's Capitol, where the Endangered Species Act is teetering on extinction.

As Sen. Packwood says of the law: "We have to change it so that, time to time, we can weigh the situation and consider the possibility that a species will disappear."
President Clinton said Thursday he wants $25 billion more in military spending over the next six years to improve quality of life for military personnel, increase their pay and boost troop readiness.

In an announcement some saw as an attempt to preempt Republican plans to boost military spending next year, Clinton said unexpected military deployments in the Persian Gulf, Haiti and elsewhere contributed to the budget shortfall.

"I have pledged that... our military will remain the best-trained, best-equipped, the best fighting force on Earth," Clinton said. "We ask much of our military and we owe much to them."

Some Republicans weren't impressed.

"This is a small step in the right direction but it does not go far enough," said Sen. John McCain, R-Ariz.

But the White House said the increase request wasn't prompted by politics or by earlier cuts in the military budget. Even in an era when the public wants a leaner government, "the people of this country expect us to do right by our men and women in uniform," Clinton said.

But Clinton apparently still hasn't totally received the election means for his presidency, causing even the simplest schedule or policy proposals to be endlessly jibbed. He has been open about his inability to make any transition to an unpopular policy as the public becomes even more divided about U.S. policy in the Persian Gulf, Haiti, Bosnia and Kosovo.

But Clinton's popularity is only as strong as the people of this country expect us to do right by our men and women in uniform," Clinton said.

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Poll: Most view GOP favorably
Party in synch with public on issues of high priority

By Richard Benedetto
USA TODAY

Having had nearly a month to evaluate the Republicans they swept into office at mid-term elections, voters are expressing a high degree of confidence and hope in the GOP lawmaker's ability to make their lives better.

A new USA TODAY/CNN/Gallup Poll shows the GOP is hitting almost all the right notes in its calls for smaller government, lower taxes and spending, tougher anti-crime measures and less Washington meddling in people's lives.

The poll, taken Monday and Tuesday, finds that seven of 10 Americans view the GOP favorably, while little more than half are positive about the Democrats—the worst Democratic scoring since measures began in 1956.

And nearly two of three say the GOP represents their attitudes about what the role of government should be.

Most also favor passage of the newly elected GOP majority's Contract With America, a set of 10 conservative issues that most GOP House candidates ran on in the fall campaign.

"This election was an election of ideas," says GOP National Committee Chairman Haley Barbour. "Voters clearly understood what they were doing when they voted for us.

Also, most Americans say the newly elected GOP majority in Congress should enact many of those ideas—a balanced budget amendment, lower welfare payments, a presidential line-item veto, tougher anti-crime legislation and a broad cut in taxes—in the first 100 days of the new session.

A danger, analysts note, is that the GOP could become sidetracked by non-Contract items given lower priority in the poll, but already being debated in the public arena.

School prayer and abortion are among them.

"They best stick to the Contract agenda," advises Emory University political scientist Merle Black.

But expectations are high that the GOP will be better off under GOP rule. And it shows that Democrats have dramatically lost public confidence in their ability to solve key problems, with Republicans outscoring them on issue after issue.

Democratic Sen. John Breaux of Louisiana, a party moderate, is not surprised.

"We don't need a poll to tell us that," he says. "We got off the business of being a mainstream Democratic Party."

But with expectations now so high, Republicans are on the hot seat. Analysts say voters will be watching closely to see if the newly elevated GOP majority can deliver.

"They didn't expect much when Republicans were in the minority, but now that they're in charge, the pain will be in the performance," says Black.

It's a position President Clinton and the Democrats held after the 1992 election. And when they didn't measure up, they got the boot.

On the other hand, adds Black, "If (Republicans) do perform well, they have the potential for becoming the new majority party.

Everett Ladd of the Roper Center for Public Opinion Research says that although a major political realignment driven by big-government decentralization is coming, it's still not clear which party will emerge the big winner.

However, he adds, "the party that fails to adjust is going to pay a terrible price."

Over the short term, Republicans know good performance out of the blocks will enhance their chances of recapturing the White House in 1996.

But some suggest that if Republicans do a good job in Congress, Americans may like the idea of split control, and keep a Democrat in the White House.

"It could be, says GOP strategist William Kristol, but Clinton is on a hot seat, too, and can't stand by without offering new and better leadership.

"The Democratic Party will be defined by Clinton, and Clinton alone," he says.

"But the public senses a vacuum of leadership on the part of the president," says Democratic consultant Brian Lunde.

"We need to take positions such as tax cuts and school prayer to show we're in tune."

Contributing: Judi Hasson

USA TODAY

Public turns against Democrats
There are more people now who have an unfavorable opinion of Democrats than at any time since 1956, when polling began, a USA TODAY/CNN/Gallup Poll shows.

Half of respondents say the Democratic Party is too liberal, and a majority says the Republican Party is about right as a political posture.

Which party would do a better job

Unemployment
Republican 12/19/93 54% 11/29/94 48%
Democratic 11/29/94 41% 11/29/94 41%
Health care policy
Republican 12/19/93 48% 12/19/93 49%
Democratic 11/29/94 41% 11/29/94 41%
Taxes
Republican 12/19/93 57% 11/29/94 53%
Democratic 11/29/94 41% 11/29/94 41%
Economy
Republican 12/19/93 42% 11/29/94 37%
Democratic 11/29/94 41% 11/29/94 41%
Budget deficit
Republican 12/19/93 57% 11/29/94 55%
Democratic 11/29/94 31% 11/29/94 31%
Crime
Republican 12/19/93 42% 11/29/94 41%
Democratic 11/29/94 47% 11/29/94 47%
Welfare reform
Republican 12/19/93 38% 11/29/94 35%
Democratic 11/29/94 55% 11/29/94 55%
Source: A USA TODAY/CNN/Gallup telephone poll of 1,020 adults, taken Nov. 28-29. Margin of error: ±3 percentage points.

By Stephen Conyor, USA TODAY

FRIDAY, DECEMBER 2, 1994 • USA TODAY
Clinton's military plans, 2A

SPECIAL REPORT

ISSUE: The military

A strong national defense has long served as a central tenet of the Republican Party. As the GOP prepares to take control of both houses of Congress in January, there will certainly be renewed focus on military issues, as spelled out in the Republican Contract with America, and heated debate. Clinton's military plans, 2A

Shrinking U.S. military forces, hardware

The incoming Republican congressional majority is examining the reduction of U.S. military forces and hardware. How military spending has risen and fallen, in actual spending and when adjusted for inflation in constant 1987 dollars:

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Price of foreign interventions

The cost in human and financial terms of recent U.S. military interventions:

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<td>1992</td>
<td>$3.2 billion</td>
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<td>1993</td>
<td>$894.9 million</td>
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Clinton's spending boost

President Clinton's proposal for boosting defense spending by $25 billion over the next six years to enhance readiness, quality of life and boost military pay (in billions):

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Clark's military plans need to meet his stated goals, a military capable of winning two major regional wars, a Korea and a Persian Gulf, at nearly the same time. With the relatively minor operations under way in the Persian Gulf, the former Yugoslavia and Haiti, "we're flying the pants off" the pilots, says Sen. Ted Stevens, R-Alaska, incoming chairman of the Senate subcommittee for defense appropriations.

The Clinton plan is "fundamentally flawed in making assessments of how much military we will need," he says. A much-ignored part of the House Republicans' Contract with America is a provision calling for creation of a commission to review the nation's defense needs. This is a direct challenge to Clinton's 1993 "Bottom-Up Review," which delivered what was supposed to be an enduring vision of the force structure needed for the post-Cold War world.

"I will work with the White House to keep a strong defense," says Thurmond. "Now, if they don't recommend what I think is adequate, I will say no." "I have no difficulty with Secretary (of Defense) Perry," says Stevens. Perry gets "second-guessed by the White House, but that's happened in all administrations."

Perry, who pushed hard for the $25 billion increase, says he's not counting on any windfall for defense when the GOP takes over next month.

"I think in January, the arithmetic is going to meet reality," Perry says. And that arithmetic, the former mathematician, is "going to be compelling."

By Stephen Conley, USA TODAY
THE REPUBLICAN PERSPECTIVE

'Contract' promises defense changes

Draft legislation not yet formally introduced — called the National Security Restoration Act — would implement key Republican defense changes. A top priority of the Republican Contract with America promises to:

- Restrict the Department of Defense from taking part in military operations in which U.S. forces are under foreign command.
- Require a comprehensive blue-ribbon review of U.S. defense needs, including military readiness, maintenance practices and general operational needs.
- Ensure future military spending cuts are used only for deficit reduction.
- Restore spending "firewalls" to prohibit transfer of military funds to social spending programs in other departments and agencies.
- Require the Defense Department to deploy, when possible, anti-ballistic missile systems ("star wars" technology) to defend against ballistic missile attacks.
- Require the U.S. commitment to a strong North Atlantic Treaty Organizations by urging the Clinton administration to proceed with full NATO membership for former Soviet bloc nations that are enacting free market economic reforms and placing their armies under civilian control.

Top Priorities

President Reagan embraced the vision of a protective umbrella that would protect America from Soviet nuclear might, ridiculed as a Star Wars-type fantasy by critics. If hundreds of missiles were heading in, there was no way any imaginable system could stop them all — and when it comes to nukes, almost isn't good enough.

With the demise of the Soviet Union, advocates now argue the system becomes more practical because the threat is from lower-technology enemies like Iran and Korea, who likely would launch fewer and slower missiles.

The Clinton administration has been pursuing only a battlefield missile defense, essentially an extension of the efforts made famous by the Patriot missile. The Republican program, if restored to the levels of President Bush's last budget, would add roughly $15 billion over five years, more than double the Clinton plan.

Peacekeeping: There is widespread Republican sentiment that President Clinton has gone too far in cutting U.S. forces for peacekeeping operations, particularly under U.N. auspices and especially in Haiti. The flurry of overseas deployments contributed to cutbacks in training and equipment back home, while doing little to enhance the nation's defense, the GOP contends.

"During the first week of the Haiti operation, I went to Haiti," says Young. "We were quite surprised to learn how many times these people had been deployed in one part of the world or another."

"We feel very strongly about American troops just being given to the United Nations," he says, in part because "U.N. officers do not have the knowledge or experience in military situations."

Key Republicans already are coming out in opposition to putting U.S. troops in a U.N. force on the Golan Heights between Israel and Syria, despite longstanding support for Israel and the peace process. The party position looks much more favorably at NATO operations. NATO always has had an American general at the top of its command pyramid.

B-2 Bomber: The election of Republican majorities has given new hope to advocates of the $1 billion-a-copy, bat-winged jet. And Northrop Corp. has responded with new promises to hold down the price tag if the government orders another 20.

But incoming House Budget Committee chairman John Kasich, R-Ohio, was one of those who joined with liberal Democrats to oppose the program. Meanwhile, the Air Force says it has other priorities, including production of the next-generation fighter, the F-22, and replacement of its aging transport fleet with the new C-17 cargo jet.

Social Issues: The new, Republican-led committees will closely follow the social changes Clinton has pushed on the military, including a revised ban on homosexuals and expansion of the role of women in combat. The so-called "Don't Ask, Don't Tell" rule for gays, which was a compromise between Clinton and Congress, "seems to work out very well," Thurmond says. But he and others are concerned that the integration of women onto warships and the Army's joint combat training of the sexes, among other changes, may be at or past the limit.

"I'm personally concerned about women in combat, I always have been," Spence says. Thurmond plans hearings.

CARRIERS: Under Clinton, the Navy has reduced its active aircraft carrier fleet to 11, one less than the minimum Republicans argue is necessary to maintain U.S. naval presence around the world.

The Republicans would like to boost that number, but there's little talk of returning to the Cold War level of 15.

Readiness: Almost across the board, Republicans say Clinton's defense program, even with the $25 billion he added Thursday, is not up to even his own standard. That is to fight and win two major regional wars at nearly the same time. The GOP will continue to look for signs that Clinton is stretching the force too thin.

The Republican plan includes creation of a commission to review Clinton's entire force structure, from the size of the Army to the number of Navy ships and Air Force fighter wings. But the new Congress may also define "readiness" much more broadly than the armed services do. Modernization, too, is a readiness issue.

Written by Steve Komarow

FRIDAY, DECEMBER 2, 1994 • USA TODAY
Power players' bottom line: Readiness

By Steve Komarow
USA TODAY

The new bunch handling defense on Capitol Hill is an old bunch, Republicans who've served through the lean military years and the fat — and definitely prefer the latter. 

Strom Thurmond of South Carolina was a seasoned politician before he reached the Senate in 1954. He's always been an advocate for increased military spending. "I think the matter of readiness, that's the thing that really counts. Are you ready?"

Rep. Floyd Spence is unlike his colleague from South Carolina, relatively new to Washington spotlight despite two dozen years in Congress. He'd been in the Senate in 1968, ran for governor in the 1980s, and will again. Now, Spence is taking power as chairman of the House Armed Services Committee for the first time next month — and remains a formidable force.

"Like Thurmond, he'll be pushing those issues to "start turning things around," But he doesn't want to sacrifice modernization, such as the F-22 fighter, Comanche helicopter, or other programs the White House may cancel or delay to make its budget add up. Ted Stevens of Alaska, who joined the Senate in 1968, ran the Senate defense appropriations committee when the Republicans ruled that chamber in the 1980s, and will again.

He's known as a fiery but pragmatic lawmaker. The defense budget "is not going to be as robust ... so we've got to get it right," he says. Stevens doesn't see a huge military spending increases "as long as the Congress doesn't insist on spending that money for other things."

The billions a year spent on environmental cleanup of bases and aid to manufacturers hurt by budget cuts could be put elsewhere, he says. And peacekeeping operations shouldn't always fall in the hands of the military either.

"You don't need trained Marines to stand on the street corners of Haiti and direct traffic," Stevens says.

But Nussle acknowledged the tentative plans, which must be approved by the incoming 230-member GOP conference and the full House when it convenes in January, are not guaranteed to cut staff or spending.

Democrats say the setup is designed to give Gingrich direct power over House administration and rules. They also said committee ratios were unfair and would cause Democrats to lose their spots on key panels.

"They said that they were going to reform this place, and what they're doing is the opposite of reform," said House Majority Whip David Bonior, D-Mich.

But Nussle said the new system would improve on the "weak reforms and ... window-dressing" implemented by Democrats in past years after scandals at the House bank, post office and restaurant.

He also said current staff members would not be offered severance pay after Republicans take over on Jan. 4, insisting it would be too expensive. All workers will get notice their jobs are being "de-authorized," but many may be retained, he said.

Plans for overhaul of the House softened up

By Richard Wolf
USA TODAY

Democrats revealed plans Thursday to restructure the House of Representatives, but stopped short of the sweeping changes many expected.

Among the changes:

► The GOP plans to dismantle the 400-employee docket keeper's office and organize the estimated 1,500 administrative staff differently, with House Speaker Newt Gingrich getting increased hiring authority. But no specific staff cuts are promised.

► The party also plans to eliminate only three House committees and wipe clean radical shifts in jurisdiction, bowing to the objections of veteran Republicans who feared those paved roads.

► Finally, the GOP wants to beef up the inspector general's office, which would go from three to 11 staff members and have authority to report directly to the Justice Department on congressional wrongdoing.

Rep. Jim Nussle, R-Iowa, head of the House GOP transition effort, trumpeted the changes as the party's "chance to stand and deliver."

"We don't want the same old people running the same old mess," Nussle said. "The government is still too big and spends too much." But Nussle acknowledged the tentative plans, which must be approved by the incoming 230-member GOP conference and the full House when it convenes in January, are not guaranteed to cut staff or spending.

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GOP contract not written in stone

Lawmakers say term limits don't enjoy strong support

By William M. Welch
USA TODAY

More than any other single issue, limiting the terms of members of Congress was a cause Republicans used to spell out differences with Democrats — and to beat them — in last month's elections.

Now that they will control Congress, however, term limits has become the campaign promise with the bleakest outlook, at least for now.

"The last three elections have taken care of the problem," says Sen. Mitch McConnell, R-Ky. "Term limits aren't needed."

Term limits is just one of the 10 items in the Contract with America that House Republicans promised to consider in the first 100 days of the GOP-majority Congress.

Most of the items enjoy overwhelming popularity with the public, as evidenced in a USA TODAY/CNN/Gallup Poll.

McConnell's opposition underscores the point, however, that not all contract items enjoy equal enthusiasm among Republicans.

Incoming House speaker Newt Gingrich, R-Ga., points out that the GOP contract didn't promise to pass all the items. Instead, they promised to bring each to the floor for a vote — a not inconsequential promise, since Democratic leaders had blocked some bills in the past.

But implicit in their contract was a pledge to try. And Republicans know that's what they'll be measured by.

"Republicans being associated with term limits helped us in a number of seats, most importantly Tom Foley's seat," says GOP pollster Frank Luntz, who helped put together the Contract with America.

"Any Republican who thinks they can now switch their position on term limits has blocked this idea in the past and in the future," says Sen. Bob Kerrey, D-Neb.

"I think the balanced budget amendment is impractical, but it's tremendously popular and I suppose we will have one," says Sen. Bob Kerrey, D-Neb.

Welfare reform. Support for meaningful reform is even popular among welfare recipients. And while there are deep disagreements on details, it seems likely Congress will pass a bill increasing work requirements, discouraging illegitimacy and requiring unwed mothers to establish paternity.

More extreme proposals, denying any benefits to young unwed mothers and encouraging states to put children in orphanages, are not popular among many Republicans.

Legal reforms. A provision in the GOP document that would require losers of lawsuits to pay the legal fees of winners may not provoke serious debate and opposition. Among them:

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GATT VOTE

Two-level test for trade accord

Thursday's passage of the General Agreement on Tariffs and Trade required two rounds of voting:

- The first required 60 votes to waive a budget rule, because the pact eliminates $40 billion in tariff revenues over 10 years. It passed 86-32, with 31 Republicans and 17 Democrats in support.
- The second, on GATT itself, passed 76-24.

The Senate's 10 lameduck members are listed in bold.

Bipartisan victory, 1A

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ALSO IN WASHINGTON

Clinton friend expected to plead guilty in felonies

Former Associate Attorney General Webster Hubbell is expected to plead guilty to two felony charges brought by the Whitewater prosecutor. Hubbell is expected to admit to tax evasion and mail fraud under an agreement with Whitewater independent counsel Kenneth Starr. The charges are not believed to have any direct connection to President Clinton's Whitewater land investment.

Hubbell, his lawyer John Heids and Starr declined comment Thursday. Starr was ready to indict Hubbell, possibly today. Hubbell, a close friend and golf partner of Clinton's, was a partner with Hillary Rodham Clinton in Little Rock's Rose Law Firm. He resigned from the Justice Department in March.

NEWT'S NOVEL: House Speaker-to-be Newt Gingrich said he's instructed his publisher to remove from a novel he is co-authoring a reference to a "goopy" guy named George Bush. The Washington Post disclosed Gingrich is a part-time novelist and the book has some steamy scenes. Gingrich said in a statement: "I neither wrote, saw nor approved the reference to the president. I have instructed the publisher to eliminate that chapter." Gingrich called the work "an historical science fiction treatment of World War II and its aftermath." The Washington Post's "Reliable Source" writer Lois Romano, noting some manuscript chapters would be the subject of an article in the upcoming New York Times Sunday Magazine, said the book also contains this scene:

"Suddenly, the pouting sex kitten gave way to Diana the Huntress. She rolled onto him and somehow was sitting athwart his chest, her knees pinning his shoulders. 'Tell me, or I will make you do terrible things,' she hissed." Said Gingrich, a former history professor: "It is my hope the book will be entertaining and intellectually appealing to a general audience."

HEALTH TASK FORCE RULING: A federal judge said he found evidence of White House misconduct during the 1 1/2-year legal battle over advisory panels that met in secret to help formulate President Clinton's health-care reform plan. In a seven- page ruling, U.S. District Judge Royce Lamberth said he intends to impose sanctions, but did not specify them.

GEPHARDT SURGERY: Rep. Richard Gephardt, D-MO, newly elected House minority leader for the 104th Congress, was resting comfortably at Bethesda Naval Hospital after undergoing surgery to remove his gall bladder. He'll be hospitalized until the weekend.

Friday, December 2, 1994}
NATO faces an identity crisis

Once-solid alliance has lost its footing

By Lee Michael Katz
USA TODAY

BRUSSELS — When the 16 NATO foreign ministers gathered Thursday for their annual "family portrait," they could barely stand still for the photographer, turning to each other like a group of fidgety elementary school children.

Painted public smiles covered up the furtive whispering and side conversations among high-level leaders of the deeply divided Atlantic alliance.

Once-rock solid, NATO is whipsawed by post-Cold War disagreements over Bosnia and the opening up of its previously select membership.

After 45 years of maintaining peace in Europe through the deterrent power of its multinational military might and America's nuclear umbrella, NATO is undergoing a midlife crisis stoked by its impotence so far in stopping the bloody war in the Balkans.

The Bosnian quagmire has lasted some — including a vocal, incoming Senate majority leader Robert Dole of Kansas — to fraction whether NATO "may be irrelevant."

Encased in a Pentagon-style fortress on Brussels' outskirts with a huge $70 billion annual budget, the North Atlantic Treaty Organization is struggling to redefine itself. Five years after the fall of the Berlin Wall, NATO is only beginning to formally study the feasibility of including such ex-communist nations as Poland, or even Russia.

"We are now being put to the test," said new NATO Secretary-General Willy Claes, who on Thursday pleaded for the unity that was the Cold-War "conscience" of the alliance.

Future NATO expansion was the most pressing item in Thursday's meeting of foreign ministers from 16 NATO countries, plus Russia for a new diplomatic initiative to try to draw the Bosnian Serbs into negotiations with the Muslims and Croats.

"All of us ought to try to learn lessons from the experience in Bosnia," he said.

Christopher hopes to get formal approval today from France, Britain, Germany and Russia for a new diplomatic initiative to try to draw the Bosnian Serbs into negotiations with the Muslims and Croats.

It calls for a cease-fire around Bosnia, a pledge to cease hostilities throughout the country for three to six months, and an international peace conference on Bosnia.

"We will redouble our efforts to find a diplomatic solution," Secretary of State Warren Christopher said Thursday during a NATO meeting dominated by discussions of the fighting in Bosnia.

Also Thursday:

Seven members of the U.N. peacekeeping force were kidnapped by Serb fighters who kept up an offensive in the Bihac enclave.

Serb and Croat forces fought pitched battles on a new front — a plain half-way between the Adriatic port of Split and Bihac.

NATO members, stung by their inability to take action against Serbs, reiterated their threats to use airpower if U.N. peacekeepers are further jeopardized: "We reaffirm our commitment to provide clear air support for U.N. troops," said NATO Secretary-General Willy Claes. "We will do more, but only if asked to do so by the United Nations."
Protecting U.S. endangered species

The U.S. Fish and Wildlife Service lists 912 endangered species in the USA, its territories and offshore waters. What their status is under the Endangered Species Act:

Status of plans for recovery of species

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Number of species added each year

- 1967: 25
- 1994: 60

Number of species added each year from 1967 to 1994:

- 1967: 3
- 1968: 7
- 1969: 10
- 1970: 15
- 1971: 18
- 1972: 20
- 1973: 22
- 1974: 24
- 1975: 26
- 1976: 28
- 1977: 30
- 1978: 32
- 1979: 34
- 1980: 36
- 1981: 38
- 1982: 40
- 1983: 42
- 1984: 44
- 1985: 46
- 1986: 48
- 1987: 50
- 1988: 52
- 1989: 54
- 1990: 56
- 1991: 58
- 1992: 60
- 1993: 62
- 1994: 64

Habitat

Identification and protection of habitat for the survival of the species is one of the main thrusts of the Endangered Species Act. Habitat has been identified for 112 species, with the largest group being small fish (38).

Success stories

- Black-footed ferret: Endangered due to habitat loss and poisoning of prairie dogs, which ferrets eat. Were believed extinct until 1981 when 18 wild animals were discovered in Montana. They were captured and bred in captivity; 14 were released in Wyoming, Montana and South Dakota. Despite high mortality rate (many die from coyote attacks) at least two wild ferret litters were born the first year.

Whooping crane: Endangered due to hunting and wetlands drainage from Canada to Texas. Population dipped to only 16 wild cranes in 1941. Habitat rehabilitation and captive rearing has brought numbers up to more than 150 wild cranes migrating from Canada to Texas. A dozen reintroduced birds migrate to the USA TODAY research

Top states with endangered species

- Hawaii: 215
- California: 138
- Florida: 97
- Alabama: 88
- Tennessee: 74

By Linda Kanamine
USA TODAY

Trappers on the prowl to preserve gray wolves

The Endangered Species Act is actually the third generation of U.S. species-protect laws. The first, passed in 1966, was fueled by concerns to save the whooping crane and other birds and mammals on the brink of extinction. In 1969, legislators expanded the list worldwide species threatened with extinction. By 1973, Congress passed the more expansive Endangered Species Act, protecting endangered and threatened species, along with animals. This was the first time the law mandated the killing of listed species without a permit, and barred their trade. The law is under fire throughout its history — it was amended in 1976, 1979, 1982 and 1988 — but rarely with such intensity as now.

The Wolf Fund.

For about six weeks before release. Three or four packs will be released to roam in central Idaho this winter.

When four or five members of a single pack can be captured, they'll travel as a family unit to pens in Yellowstone, where they'll be held for about six weeks before release. Three or four packs will be released to roam in central Idaho this winter.

In Yellowstone, managers will be released in central Idaho. When four or five members of a single pack can be captured, they'll travel as a family unit to pens in Yellowstone, where they'll be held for about six weeks before release.
Families face ultimate fear: Being split up

By Gale Holland

USA TODAY

Los Angeles — Like many teens, Estela M. wears oversized jeans and idolizes pop diva Whitney Houston. Her 11-year-old sister spends hours dressing a Barbie doll. Her 16-year-old brother is addicted to TV's Power Rangers.

In fact, this close-knit immigrant family is typical of many in almost every way. Of the seven children, only one 16-year-old Estela even remembers Mexico — a dim recollection of home on a bare, dirt floor.

But what California lawfully passed, Prop 187 hit the family with a devastating reminder that they are not really an all-American family. Because only five are citizens — mother Raquel and three kids still in school — the family faces the threat of separation, dislocation or forced repatriation.

"Right now, I don't know whether I'm going to stay or go," said Estela (her family asked that their last names be withheld). 

Her family is among tens of thousands dealing with the same problem. Supporters of Prop 187, which would cut off most medical service and education to illegal immigrants and require doctors and teachers to turn them in, sold voters on a simple message: Illegals are feeding at the public trough. Send them home.

But few illegals exist in a vacuum. Most families are a mix; some members are citizens, some are on the way to citizenship, and some are clearly illegal.

"Rarely do you find a pure undocumented family," said Leo Chavez, associate professor of anthropology at University of California, Irvine.

Immigration is an odyssey in and out of the shadows, Chavez says. The legalization wait for qualified Mexicans is as long as 11 years. In the meantime, Leonor Hernandez, 27, who fled El Salvador with family, has been told she could apply for citizenship.

Family reunification long has been a goal of many American immigration policy. Of the 1 million immigrants legalized in 1990, 500,000, or more than half, were family-sponsored. Many of these families. That includes Raquel M. and her three older children. They expect papers soon but say the immigration fee — $265 each — is a major obstacle.

Supporters of 187 want children of illegals to be considered the children of citizenship, they say parents should have considered the implications for their children before they took their chance. "Nobody is no more of a kid person than I am," said Barbara Coe, one of the pro-187 leaders. "But we cannot continue to pay for the paralyzing irresponsibility, they have the option of leaving their children in the care of another citizen or legal guardian, of going back to their own country."

That attitude has panicked many immigrant families. But experts don't expect their fear to produce a mass exodus. Many are taking steps to keep their lives together.

While 187 remains stalled in court, lines of immigrant children are forming up at pre-school and day care centers. New applications for residency and citizenship are unusually brisk.

"The economic drive is so strong," explains Chavez.

In the end, the measure's true legacy may not be an end to illegal immigration but a period of added anxiety and more scrambling to survive. Many are just trying to make a better life for their children.

By Brenda B. Luskin, AP

Hernandez: Feud El Salvador with family

Efrain Hernández Feud El Salvador with family

Efrain Hernandez, 28, who fled El Salvador a decade ago. The family's three children have nothing to fear themselves; they're U.S. citizens. But they are frightened for their father, who is undocumented, and even for their mother, who cleans houses in the tony suburbs of Encino and Pasadena for 10 years getting her green card.

Mario, 12, refused to return to school for days after the election because he was scared his parents would be "disappeared" by immigration agents while he was gone. "Sometimes I feel guilty about us being here. I don't want to be separated from the family," he said.

"I'm going to stay or go," said Estela (her family asked that their last names be withheld). "Right now, I don't know whether I'm going to stay or go," said Estela (her family asked that their last names be withheld). "But I'm not sure what we're going to do."
Panic has swept over the estimated 200,000 Salvadorans in the U.S. who await President Clinton's expected Dec. 31 termination of their protected immigration status.

"We're not ready to go back," says Francisco Roque, 35, who has been here five years and lives in Adelphi, Md., with his wife and two daughters, one of them U.S.-born.

"Everybody says there is peace but I don't believe it. The death squads (in El Salvador) are still working. And we have roots here."

Central American Refugee Centers have been swamped with hundreds of queries. In Los Angeles, CARECEN office manager Edwin Urbino, 28, tries to calm frantic callers fearful of losing work permits and becoming instant illegal immigrants in the new year.

"Our phones ring all day," Urbino says. "People are very afraid and part of it is Proposition 187. They're afraid they would be vulnerable (under the anti-illegal immigrant law)."

Urbino wants to help but inside he's fearful himself.

Salvadorans like Urbino and Roque say they were threatened by the civil war violence of the 1980s and came illegally to the U.S. seeking asylum.

Most were turned down, along with about 40,000 Guatemalans. Reagan administration policy at the time supported asylum only for anti-communist Nicaraguans.

A federal court later ruled that policy discriminatory and since 1990, under a law passed by Congress, undocumented Salvadorans have been temporarily protected from deportation. They are allowed to work, but technically they are in immigration limbo — neither legal nor illegal.

Now administration signals strongly suggest Clinton will terminate what is officially known as the Deferred Enforced Departure program, on grounds that conditions in El Salvador have improved and the program was intended to be temporary.

Some activists suspect another motive. "They're caving in to anti-immigrant sentiment," says Pat Young, legal director of Long Island's Central American Refugee Center.


Clinton officials deny this, but haven't said what they plan to do. A press conference is set for today.

Many Salvadorans fear mass layoffs and deportations. But Clinton administration officials insist they are not planning either. They say there will be a transition period for Salvadorans to continue working while they seek legal status through asylum or some other provision of immigration law.

"I have been assured there will be a permanent solution, a just and humanitarian solution," says Ambassador Ana Christina Sol of El Salvador.

Activists like Young say the cheapest and fairest solution is for Clinton to unilaterally grant the Salvadorans permanent "suspension of deportation," even though immigration law requires each case be considered by a judge.

"It will cost millions to have judicial review of every case and the applicants can't afford lawyers," Young says.

Because of attrition over the last four years, Ambassador Sol says there may be only 100,000 Salvadorans left in the DED program. If many were deported, the country could not absorb them with its high unemployment rate, she said.

Plus, they send home 36% of the total $884 million a year in remittances sent by Salvadorans in the U.S., Sol says. That's more than what El Salvador earns from coffee, its biggest export.

With the recent 80% cut in U.S. aid to El Salvador, Sol says the economy can't take a cut in its main source of income.

"We have to have a solution soon," Sol says.
Investors still fear inflation; Dow slips 38

By Donna Rosato
USA TODAY

Surprisingly robust economic reports and prospects of continued strong economic news sparked a big stock sell-off Thursday — and fears of further declines on Wall Street.

The Dow Jones industrial average sank 38 points to 3701. Broad market barometers also slumped. A big selling spree in technology stocks pushed the Nasdaq composite index down 10 points (1.3%) to 741.

The Nasdaq sell-off was particularly damaging because technology stocks, particularly semiconductor and software makers, had led the broad market's rebound from last week's early slide and had been one of the market's strongest sectors this year.

"People are making sure they have their profits buckled down in this group before the year's end," says William Dodge, Dean Witter strategist.

Sparking the tech rout worries that a flaw discovered in Intel's Pentium computer chip will hurt holiday personal computer sales. "The tech sell-off was overdone," says Smith Bame/ Jim Barlage.

Disappointing November retail revenue crippled several retail stocks.

The broad market was unnerved by the latest good news on the economy. (Cover story, left.) The stronger-than-expected economic news rekindled investors' fears the Federal Reserve may have to raise short-term interest rates for the seventh time this year to brake the economy and forestall inflation.

That's a double whammy for stock investors. A slower economy means corporate earnings growth, and higher rates mean stiffer competition from higher-yielding, less risky investments such as bonds.

Still, the inflation-wary bond market held steady. Prices fell, pushing the yield on 30-year Treasury bonds to 8.01% from 8% Wednesday.

Today, investors get another important read on the economy. The Labor Department is expected to report that unemployment remains low.

"There was no reason to buy ahead of the employment news," says Robert Walberg, market analyst at MMS International. Economists are forecasting that 250,000 non-farm jobs were added to payrolls last month.

If the jobs report is better than expected, it could spark another rout in stocks today, analysts say.

"The rallies are getting weaker and briefer," says Dick McCabe, Merrill Lynch technical analyst. "We may be heading into a final big sell-off."

Should the Dow break below its April 4 low of 3593, it could fall another 10% to 3200, McCabe says.

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War threat eases in Russian enclave

By Ricaard Mazalan, AP

War fever receded in Chechnya as Russia backed off its threat to send troops into the small breakaway republic. Leaders defied an ultimatum from Moscow to stop fighting Thursday and called on armed volunteers to defend their capital. Air attacks continued on the outskirts of Grozny, the main city of the predominantly Muslim region.

Resident are fleeing the mainly Muslim city of 300,000 in the Caucasus Mountains. The city has become a war zone between forces loyal to Chechen President Dzokhar Dudayev, who declared independence from Moscow in 1991, and Chechen rebels trying to topple him.

MEXICO'S LEADER: Ernesto Zedillo, a U.S-educated economist, took office Thursday as Mexico's new president with a pledge to continue the economic reforms of predecessor Carlos Salinas de Gortari. Zedillo, 47, is the 42nd consecutive president from the Institutional Revolutionary Party, which has ruled Mexico since 1929.

TERRORIST FREED: Irmgard Moeller, 47, the German terrorist who killed three U.S. soldiers with a car bomb 22 years ago, was freed because of poor health. The U.S. State Department objected to her release.

SMOLDERING: Smoke billows from the Italian cruise ship Achille Lauro.

ACHILLE LAURO: The fire-gutted Achille Lauro, listing in a pall of smoke 100 miles off Somalia, may not sink and could be salvaged, Italian Coast Guard Capt. Ferdinando Lolli said. Almost 1,000 passengers and crew escaped Wednesday when a blaze broke out on the ship.

PLO RULE: The government of PLO leader Yasir Arafat took control of health and tax systems in the West Bank Thursday, broadening Palestinian autonomy.

FERRY SINKS: A ferry carrying about 500 people collided with a freighter and sank before dawn today in Manila Bay, the Philippine coast guard reports. Some passengers were rescued by the freighter, and some were seen in rubber rafts. No injuries or deaths have been reported.
Economy speeds ahead
Key indicators signal more growth in '95

Tuesday
>Bulletin Board's consumer confidence index hit a four-year high of 101.3 in November. Soaring spirits should help fuel spending this month and in '95.

Wednesday
>• Gross domestic product growth in third quarter was revised up sharply to a 3.9% annual rate from 3.4%.

Thursday
>• Purchasing managers' index in November hit a 10-year high of 61.2%.
>• October consumer spending gained 0.7%.
>• Oct. construction spending up a sharp 0.9%.
>• Jobless claims last week totaled 317,000 vs. 350,000 a year ago.

Sources: Commerce Department, Labor Department, Natl. Assn. of Purchasing Management, MMS int.

Cover story
Year to show best growth since '87

By Beth Belton and Bill Montague USA TODAY

No mixed messages here. Despite the Federal Reserve's best efforts to rein it in, the U.S. economy continues to charge ahead at a surprisingly strong pace.

This week, there's been nothing but good news.

Thursday, five major economic reports were all positive. Wednesday, third-quarter gross domestic product growth was revised up sharply. Tuesday, there was word consumer confidence is at a four-year high. Monday and earlier this morning, the Labor Department is expected to report that companies added 250,000 jobs to payrolls last month and that the unemployment rate stayed at a low 5.5%.

One only conclusion can be drawn. "All the economic data point toward strong economic growth," says Mickey Levy of Salomon Brothers. What's more, barring the unexpected — such as a jump in oil prices — the economy is poised to turn in its best performance since 1987. That kind of momentum sets the stage for solid economic growth in '95 and beyond.

This isn't what the experts said would happen. Most thought the economy would show signs of slowing by now, 10 months after the Fed started pushing interest rates higher to cool the economy and keep inflation from accelerating. Instead, everything looks terrific:

>Jobs. Today's employment report likely will be the latest sign of the labor market's strength. Thursday, Labor said first-time claims for jobless benefits fell by 12,000 last week, to 317,000. Claims usually fall late in the month, but that data was surprised by the size of the decline. Also, Thursday, a Conference Board index of help-wanted ads in newspapers jumped 11 points to 126 — a sign that shows employers are aggressively searching for workers.

Good news on jobs is great news for the economy in two ways. People who find work buy goods and services they may not have put off buying when they were unemployed. And people who already have jobs feel more secure about their jobs. That makes them more willing to go out and spend.

>Consumers. There's fresh evidence consumers feel good. Tuesday, the Conference Board said its consumer confidence index hit a four-year high of 101.3 last month. That confidence is translating into strong consumer spending.

Thursday, the Commerce Department said consumer spending rose 0.5% in October. And early returns from retailers show shoppers hit the mails with a vengeance Thanksgiving weekend.

Other evidence: Wednesday, Commerce said consumer spending last quarter grew at a strong 3.5% annual rate, well above second-quarter's 1.3% pace. And that robust spending is expected to last through the holiday shopping season.

The wave of spending helped persuade Commerce to boost its estimate of third-quarter GDP growth Wednesday, to a 3.9% annual rate, up from 3.4% and nearly matching the second quarter's 4.1% pace.

There's good reason to believe consumer spending will remain strong and help keep the economy humming. Solid job growth is translating into gains in personal income, which surged 1.4% in October. Commerce said Thursday. That was the biggest jump in eight months and ninth straight monthly gain.

>Manufacturing. Thursday, the National Association of Purchasing Management said its index hit an 11-year high in November. Production and orders rose. The manufacturing sector has grown 15 straight months, NAPM said.

"It's been a while since we had this experience," says Ralph Kaufman, chairman of NAPM's business survey committee and purchasing manager at Oryx Petroleum. "And it's a pleasant experience, particularly since inflation seems to be staying very low."

>Inflation. Even as the economy keeps rolling, inflation remains in check. That should help keep the economy growing in '95, because low inflation keeps interest rates from rising too high.

Among the evidence inflation isn't heating up: Commerce, in its GDP report Wednesday, said a key measure of prices paid by consumers and businesses rose at a modest 1.5% annual rate last quarter, slower than the second quarter's 2.9% increase.

Then Thursday, NAPM said its index of prices paid by manufacturers for goods and services was steady from last month — at 77.9 — but dipped from 79.9 in October. That's a sign manufacturers' costs weren't rising as quickly last month.

All the good news: The economy is a surprise to most economists because they thought by now increases in interest rates this year would have slowed growth. Higher interest rates are aimed at controlling inflation by slowing demand for goods and services. They make it more expensive for consumers and businesses to borrow and discourage purchases of cars and other big-ticket items. They also tend to slow investment in factories and equipment.

But a major reason higher rates may not have done much damage yet is that in a huge economy that produces $5.8 trillion worth of goods and services a year, it takes a long time — perhaps a year or more — for the changes to have an effect.

It has been 10 months since the Fed's first hike on Feb. 4. So far, the effects of the Fed's actions have been modest. Construction spending rose 0.9% in October, Commerce said Thursday, the second straight increase. But in a large economy, even a sign may be hitting a bit, the growth was limited to spending on public projects and commercial buildings. Spending on homes and other residential construction fell 1.3% last month because mortgage rates have risen more than 2 percentage points the past year.

The real effects of the Fed's actions, and an additional rate hike or two expected in '95, may not be evident for some months, economists say. Stuart Weiner, assistant vice president at the Kansas City Federal Reserve Bank, predicts: "We're really going to see the effects next year."

But economists have been underestimating the economy for two years. And even if forecasts of a slowdown come true, few experts expect the U.S. economy to slip into a mild downturn in economic growth.

There's too much momentum for anything more dramatic. Plus, growing foreign economies should further boost U.S. exports.

"Everything is going remarkably well," says Eugene Sherman, economist at A.A. Schapiro in New York. And, best of all, "there aren't any dark clouds."
NATIONLINE

Navy panel says lesbian can stay

In a decision rendered under the military's "don't ask, don't tell" policy toward homosexuals, a Navy tribunal unanimously decided Thursday that Lt. Zoe Dunning should remain in the service despite declaring she is a lesbian.

The board of inquiry meeting at Treasure Island Naval Station in San Francisco ruled Dunning, recently promoted to lieutenant commander, had proved she would not engage in homosexual acts. "I feel fantastic," said Dunning, 31.

Her lawyer, Greg Bonfiglio, said, "The message is you can be gay or lesbian in the military and if you do a good job, you'll be able to keep your job." The panel's recommendation eventually goes to the secretary of the Navy.

JONES PHOTOS: Paula Jones, who accuses President Clinton of sexually harassing her while he was Arkansas governor and she was a state worker, lost her federal court battle to bar Penthouse magazine from distributing its January issue, which has partially nude photos of her. She is suing the magazine for $34 million, saying the pictures were taken in 1987 by her ex-boyfriend, Mike Turner, and intended only for his eyes. Judge Peter Leisure in New York, who Tuesday had temporarily halted distribution, ruled it can proceed. He said the photos are related to the article, which is newsworthy.

NO FLASHBACK: A New York jury convicted Lebanese immigrant Rashid Baz of murder, rejecting a claim he was acting in self-defense at a McDonald's drive-through in Albuquerque. The incident occurred when she put the cup between her lips and tried to pry the lid off at a McDonald's drive-through in Albuquerque. Terms weren't disclosed. A jury in August awarded $1,400 for assorted jewelry. Proceeds go to the Soviet Union that led to the deaths of at least 10 U.S. agents.

ALSO THURSDAY...

> COPTER CRASH: All three people aboard a Midwest Medflight air ambulance from St. Joseph Mercy Hospital in Ann Arbor, Mich., died when the Agusta 109 helicopter crashed en route to pick up a patient. Cause: unknown.

> NO PAROLE FOR SIRHAN: California denied parole to Sirhan Sirhan, serving a life sentence for the 1968 murder of Robert Kennedy in Los Angeles. It was the ninth parole hearing for Sirhan, 50. He's eligible again in two years.

> PROTEST LIMITS: New Jersey's highest court imposed new conditions on picketing at private places. Required: a 100-foot privacy zone, 24-hour notice to police, no more than 10 pickets, and only once every two weeks. The case involved abortion opponents, who said they'll appeal.

> BEAN BAG RECALL: Baseline Design recalled 2.5 million foam-filled bean-bag chairs sold the past four years. Cited: possible suffocation of children who could unzip the linings and crawl inside the chairs.

> FATAL GROUP HOME FIRE: Four residents died and seven were hurt when flames engulfed a Fort Lauderdale, Fla., home for the elderly and mentally disabled. Nine others escaped. Possible cause: a cigarette, officials said.

U.S. 'at risk' for Bhopal-type tragedy

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<th>Hazardous material: the top 10 states</th>
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A decade after a chemical leak killed 2,000 in Bhopal, India, activists say a similar threat exists in the USA. "U.S. citizens are still at risk," says Hilli Gray of the Boston-based National Environmental Law Center. It reports more than 10 billion pounds of "extremely hazardous" chemicals are stored in factories nationwide, and accidents still happen.

Congress responded to the Bhopal disaster by passing a number of laws, including one that requires public disclosure of all toxic chemical releases. — Rae Tyson

Written by Paul Leavitt. Contributing: Gordon Dickson and Leo Mullen

FRIDAY, DECEMBER 2, 1994 • USA TODAY

RESCUE: Emanuel Matalon, 72, saved in Tarpon Springs, Fla.
As evil as Dahmer was, society faces something worse

When we last left our saga of "The Postal Service Follies," management had been called to order to cancel the popular Madonna and Child stamp because it seemed too religious for Christmas. Even President Clinton recognized this as a dunderhead move and intervened to bring it back. But this acquiescence only made more clear that even folks at the Postal Service have been overcome with the Christmas spirit.

While they were ousting Jesus and the word "Christmas" from the "holiday" stamps, they were also issuing elaborate rules for employees about "appropriate" displays that would make the Supreme Court's guidelines on the subject look like a Press release from Pat Robertson.

The rules state: "Expressions of religious faith such as manger scenes, crosses or the Star of David shall not be displayed on postal property. Examples of permissible displays include stars and stamp art, evergreen trees bearing non-religious ornaments, menorahs (when displayed in conjunction with other seasonal matter), wreaths, holly, candy canes, Santa Claus, reindeer, dreidels, snowmen, stockings, candles, carols, colored lights and Kwanzaa symbols such as mkeka (a straw mat), kikombe cha umoja (unity cup), or rumenje (candle holder)."

This post office managers found themselves in the curious position of being allowed to use a straw mat from an African harvest festival to promote the use of their Christmas stamp featuring the Madonna and Child — but not a straw to deliver mail. What a brilliant marketing scheme.

Christmas generates enormous business for the post office, and it wants you to use its services to deliver your packages and cards. But what is the appropriate punishment for a sloppy postman who still can't figure out whether he should be delivering mail or picking up the trash?

Ironically, one of those cops, John Baierczak, now works in the same unit that dispatched him to the murder scene. If a black cop had returned a white boy to a black fiend, would he have been punishmented? No wonder its employees are more appropriate.

...in lieu of 'Merry Christmas.'

But was this a case of white cops looking at a non-white as property? Or was it a case of how under the most biased circumstances whites are believed and people of color aren't?

If the cops had looked past Dahmer's white face and into his apartment, the gory findings would have caused more killings, including that of the Asian lad, whom Dahmer murdered soon after the cops left.

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In quotes

**McGovern charges Gingrich, "undermined our tradition of values" and that the Clintons are carrying on his counterculture.**

"Traditional values" and ruthless realities

The soon-to-be speaker of the U.S. House of Representatives is both very smart and a bit of a smart aleck, who is rewriting the textbook for Politics 101.

Since his Republicans became the majority party three weeks ago, Newt Gingrich has blamed the USA's ills on what he calls "a McGovernic legacy of counterculture."

"It's a poor recipe for objectivity, which is one reason why C-Span, the cable network, is seeking more access and control. Secrecy is the enemy of values," Mr. Gingrich has said.

"They are the poster children for the new majority. Their personalities are as different as their politics. McGovern, now 72, has always been a gentleman and a gentle man. Even when Tricky Dick did him in, he maintained his gracious, soft-spoken manner."

"Gingrich appears determined to drive his country down the road of a less tolerant ideology, for which he apparently thinks it is ready. Their personalities are as different as their politics. McGovern, now 72, has always been a gentleman and a gentle man. Even when Tricky Dick did him in, he maintained his gracious, soft-spoken manner."

"Gingrich, 51, doesn't mind his manners or lower his voice. But while Democrats considered him a blowhard, he became a smart student and effective teacher of politics."

"McGovern is both very smart and a bit of a smart aleck, who is rewriting the textbook for Politics 101."

"He never expressed fear. . . . From the day he was arrested, he felt he deserved anything that he got."

"I didn't run it. If I had run it, I would have been 30 points ahead."

"I don't miss politics one damn bit, and I'm pleased to tell you that."

"Mr. Simpson's defense team can posture and pose all they want to. That's their right, and maybe even their job. But they can't expect the family of Nicole Brown to turn the other cheek any longer."

"The soon-to-be speaker of the U.S. House of Representatives is both very smart and a bit of a smart aleck, who is rewriting the textbook for Politics 101."

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"Two contrasting and fascinating lessons about the ruthless realities of democracy in action."

Let's 'see' Congress work

Should Congress open itself to more television coverage? The more appropriate question is: Why not?

At present, House and Senate floor coverage comes from cameras owned by the government, operated by government technicians and controlled by the majority party. It's a poor recipe for objectivity, which is one reason why C-Span, the cable network, is seeking more access and control.

Again: Why not? C-Span has been broadcasting floor action for 16 years. C-Span1, the House network, reaches 63 million households. C-Span2, showcasing the Senate, goes to 35 million. Plainly, the network has the viewers, the record and the commitment to assure objective coverage.

C-Span also wants permission to:

- Pan the chambers. Currently, cameras remain focused on whoever is speaking, which amounts to false advertising when the rest of the chamber is empty.
- Place a camera just off the floors. This would allow the network to interview lawmakers during quorum calls and other maneuvers — a smart way to educate viewers.
- Teleview the speaker's conference in the House and the majority leader's "dugout chatter" in the Senate. These daily briefings are on the record but off camera.
- Televise the conference committees, where the nation's laws take final shape.

Expect the usual objections — that cameras give incumbents an edge; that they disrupt the legislative process; that they give mavericks unwarranted credibility — and then reject them.

Since the House voted for cameras in 1978, turnover has surpassed 86%. The Senate voted for cameras in 1986; turnover since has been 50%. So much for an edge.

As to disruption: Lawmaking may go more smoothly when done out of sight. But so does lawbreaking. Secrecy is the enemy of public confidence.

Finally, mavericks have rights, too. Incoming House Speaker Newt Gingrich was among the first to recognize the power of cameras in Congress. He used early floor broadcasts to bypass the House hierarchy, and look at him today.

Other voices are waiting to be heard, and Congress shouldn't fear them. Added coverage may bruise a few egos, but it will serve the public and the republic alike. Can that be a bad thing? No, it can't.
Endangered species law deserves chance to work

**OUR VIEW** Miracles don't happen overnight, but they do happen. Give threatened species time to come back.

If you think the Endangered Species Act isn't working and should be scrapped, you're not thinking about otters and eagles and cutthroat trout and gray whales. You're not thinking about milk vetch.

All those species — and hundreds more — have benefited from the 1973 act. And let's not forget the bald eagle, whose recovery has been so successful it can now be found throughout the lower 48 states.

Sure, the law has problems. Today's front-page cover story reports that in 21 years, more than 900 domestic species have been listed but only six have recovered. About 3,000 more await listing; some will become extinct in the meantime.

This is powerful ammunition for landowners and commercial interests who believe the act is excessive. Washington has no business overprotecting, for instance, a stubby owl at the expense of profitable human activities. And for the new Republican-controlled Congress, which will, at the very least, consider scaling the act back.

That's the simple — simplistic — approach. To begin with, restoring an endangered species can take decades. The whooping crane remains imperiled despite five decades of protections. But its numbers have grown from 14 to 250 in the process.

The Endangered Species Act may be slow, but it's effective. Some 40% of the 912 U.S. species on the 1,300-plus list have either stabilized or begun to improve. Another 30% continue to decline but more slowly than before.

**Saving the nation's symbol**

Thanks to protection provided by the Endangered Species Act, the bald eagle is resurgent across the USA. 

Nesting pairs, lower 48 states

1993 417

1993 4,017

Source: U.S. Fish & Wildlife Service

By Marc E. Mulline, USA TODAY

Truth is: The act's problems have more to do with Washington than wildlife. Support from successive administrations has been fickle at best, and Congress is ready to tie itself in knots over the law's ability to limit the use and development of private land. Such "takings" — so called because the government "takes" value from the property — are a key argument for gutting, if not scrapping, the law.

Instead, why not explore new incentives — tax breaks? wildlife subsidies? — for landowners to join preservation efforts. More spending alone won't cure the law's many problems. But the act is hardly over-funded. Congress last year appropriated only $60 million. That's hardly adequate, and despite the seeming extravagance of some long-term expenses — $5 million per cat to restore the Florida panther — further penny-pinching has real risks.

Look at it like this: Every time another species is lost, you have what was unknown value it had. Could it have produced clues for a new AIDS drug? Did it have some subtle role in the region's food chain? And every time you ask, you have to answer: Nobody knows for sure.

Law deserves to be junked

**OPPOSING VIEW** Law has become a club to punish people for sharing the environment with animals.

By Chuck Cushman

The Endangered Species Act could be used to protect species and humans. Instead, it has become a weapon for extremists to threaten landowners and jobs with extinction.

The Endangered Species Act considers human activities illegitimate in the environment. Kangaroo rats get the penthouse while taxpayers get the poorhouse.

More than 1,300 species are listed, with thousands of candidates for listing. Every new listing costs jobs. Election Day shows the backlash as more congressional districts are affected. The law's future grows murky as concerned congressmen discover their districts are becoming critical-habitat areas, forcing companies and family-wage jobs to move elsewhere. Private lands become targets for federal acquisition and regulation.

The act is the most severe, least flexible of environmental laws. It supplants other statutes as the favorite weapon for administrative and judicial attacks on legitimate economic enterprise.

It does not ensure the use of best science, nor does it require adjustment for better science. Scientists and land managers have found twice as many spotted owls (nearly 10,000) as the U.S. Fish and Wildlife Service predicted. The Fish and Wildlife Service knows the owl is thriving in second-growth forests. Yet it refuses to modify its owl plans and ignores the estimated loss of 50,000 to 100,000 jobs, closed mills and hardship-hit communities.

The act is used for enforcement based on speculation. If the Fish and Wildlife Service applies worst-case computer models and unproven theories of wildlife behavior to the thousands of candidate species, more hardship will occur. The Interior Department estimated in 1990 it would cost $4.6 billion for recovery of currently listed and candidate species. Economic and social hardship costs were not included.

The act needs incentives for private entities to work cooperatively with government to conserve listed species. It must provide funding for landowners who now have no option but to dedicate their land as a preserve when a species is found or risk civil and criminal sanctions.

A moderate approach with cost-benefit analysis that considers humans in the equation makes more sense than allowing the law's excesses to force a taxpayer backlash. Amending the Endangered Species Act will save more species, and humans, too.

Chuck Cushman is executive director of the American Land Rights Association.
**Los Angeles Times first-edition**

**Page 1 for Friday, Dec. 2, 1994:**

**Top of page:**

Col 1: Iran, the world's only modern theocracy, has reached a crisis point; for all the controversy over the religious fervor of Iran's Islamic revolution, the force that is most threatening the government is not ideology but economics. (IRAN, will move overnight).

Col 2: Defense Minister Gojko Susak vows that Croatia will send troops to seize back Serb-occupied territory if the government calculates that the tecturing of Bihac pocket in northwestern Bosnia-Herzegovina is about to fall. (BALKANS-TIMES, moved).

Cols 3-5: To the applause of world leaders ranging from A1 Gore to Fidel Castro, Ernesto Zedillo Ponce de Leon assumes the green, white and red sash of the Mexican presidency and delivers a speech to the nation and the world defining Mexico's path through the end of this century. (with art). (MEXICO-TIMES, moved).

Col 6: After seven years of negotiations and 12 months of debate, the U.S. Senate nears final approval of a massive rewriting of the rules governing world trade, slashing tariffs and chopping quotas to create a more-level playing field for international commerce and a burst of new growth for the world economy. (GATT-TIMES, moved).

Above fold:

Col 2: Former Associate Attorney General Webster L. Hubbell, a close friend of President Clinton and a former law partner of first lady Hillary Clinton, has agreed to plead guilty to two felony charges arising from the Whitewater investigation, sources say. (WHITEWATER-TIMES, moved).

Cols 3-4: Rumors that Orange County's highly touted public investment portfolio is in trouble shake financial markets as county officials confirm that the holdings have lost $1.4 billion in value this year. (BONDS, moved).

Below fold:

Col 4: President Clinton, seeking to blunt a Republican attack over the politically explosive issue of U.S. military readiness, proposes spending an extra $25 billion over the next six years to help bolster military preparedness and weapons-modernization. (DEFENSE-TIMES, moved).

Bottom of page:

Cols 1-2: NATO foreign ministers agree on a complex plan to expand membership to the east, a step that draws a sharp protest from Russia and could produce new splits within the 45-year-old alliance. (NATO-TIMES, moved).

Cols 5-6: Feature on women and minority firefighters subjected to discrimination.

Sent: 10:20 p.m. EST. For questions, call (800) 283-NEWS, ext. 778312.

**Los Angeles Times-Washington Post News Service**

**Mexico's New President Vows Era of Reform (Mexico City)**

By Mark Fineman=

(c) 1994, Los Angeles Times=

MEXICO CITY To the applause of world leaders, Ernesto Zedillo Ponce de Leon assumed the green, white and red sash of the Mexican presidency Thursday end, in his first presidential address, declared a crusade against the violence, poverty, corruption and injustice that litter Mexico's path to the next century.

Facing deep political uncertainty, public insecurity and pockets of crushing poverty, Zedillo told Mexico's newly elected legislature in a nationally sized speech that he will continue to save the nation. But he promised an aggressive jobs-creation program, plans to help small and medium businesses "as never before," and an unprecedented effort to educate all Mexicans through high school.

Amid lingering skepticism from opposition leaders and an angry protest by thousands of peasants calling for civil insulation, the 42-year-old Yale-educated economist also vowed to usher in a new era of political pluralism and reform. Zedillo, a Mexicali shoeshine boy who rose to the highest post in the land, promised to reduce the power of the presidency and separate it for the first time from his Institutional Revolutionary Party, which has governed Mexico for 65 years. And he vowed to radically restructure a judicial system that has made corruption synonymous with the law and the courts in a nation he cast as being on the brink of historic change.

As he outlined Mexico's new course after taking the presidential sash from outgoing president Carlos Salinas de Gortari in an emotional 15-second handshake, Zedillo also ordered immediate acceleration of official investigations into two major political assassinations.

Fueling the widespread sense of national insecurity, Zedillo said, are the yet-unsolved Sept. 28 killing in Mexico City of the ruling party's secretary-general, Francisco Ruiz Massieu, and the murder in Tijuana last March of Luis Donaldo Colosio, Zedillo's predecessor as the party's hand-picked presidential candidate.

"We will not rest until justice has been served," he declared, announcing that "at this moment" he was directing newly appointed Attorney General Antonio Lozano for the first time ever, a Cabinet member from the opposition "to significantly intensify the investigations and inform the public of their progress until the investigations come to an end."

About Chiapas, the southernmost Mexican state where an armed peasant guerrilla movement has threatened to rebel anew when the ruling party's elected governor attempts to take office next Thursday, Zedillo said he is "convinced it is possible to achieve new negotiations that will lead us to a just, honorable and definitive peace."

The Mexican Army, which crushed the rebellion last January, will maintain its unilateral cease-fire, Zedillo said, acknowledging "the conditions of extreme poverty and neglect" in the state "fueled that violence."

Zedillo saved his most urgent comments for the escalating street crime, kidnappings, robberies and general insecurity he is inheriting from Salinas.

"In the last few years, particularly in recent months, we have lived in a climate of growing anxiety and insecurity," Zedillo said. "We have suffered major public crimes that have not been altogether clarified; we have suffered from violence on a daily basis and from a deficient performance by the institutions in charge of public safety and law enforcement."

"Today, more than ever, Mexico must be a country of laws. That is what everyone, everywhere, is calling for. ... In order to tackle the rampant crime, the frequent violations of civil and human rights and the grave public
insecurity, we will launch an in-depth and genuine reform of the institutions in charge of the procurement of justice."

Concluding that his would be a compassionate, open and progressive presidency "to serve all Mexicans with dedication ..., with pride, ... with an unbreakable spirit and nationalist conviction," Zedillo then sped away from the downtown House of Deputies in a motorcade to Mexico City's National Palace.

(End optional trim)

In a buzzard of green, white and red confetti that filled the air with the colors of Mexico's flag which is also the tri-color of the ruling party Zedillo stepped onto the presidential balcony of the National Palace overlooking an expansive historic square. He led thousands of soldiers, sailors and police in the national anthem, for the first time as their commander-in-chief.

Inside the palace, Zedillo spent the next hour greeting Mexico's most powerful and wealthy elite bankers, businessmen, politicians and priests with handshakes and hugs, before adjoining to a lunch at the National Anthropology Museum with present and former heads of state, among them former President Bush.

(End optional trim)

Within minutes of his speech at the national legislature, opposition leaders gave Zedillo mixed reviews of his earliest performance in what all acknowledged is one of Mexico's most trying hours. But they made it equally clear that the 12th consecutive PRI president will enjoy a honeymoon, however brief, with a loyal opposition something accorded few of his predecessors.

"We are going to keep a close vigil on Ernesto Zedillo to see that he keeps all these promises you just heard," said Rodriguez Rivera, a lower house member from the largest opposition group, the National Action Party.

"Very quickly it will be seen if he has the political will to correct things." "If not, we are going to see how many times we have to use this tribunal to remind him, each year and each national address he gives." (Optional add end)

But Alejandro Gonzalez Alcocer, another National Action Party deputy, expressed confidence in Zedillo's political will to fulfill his cornucopia of promises. "We can no longer be like we were before, with just one party and a monopoly on power."

Senate Approves Trade Agreement
by More Than 3-1 (Washn)
By James Gerstenzang
(c) 1994, Los Angeles Times=
WASHINGTON After seven years of negotiations and a year of political debate, an agreement that massively reorders the rules governing world trade was approved by the Senate Thursday, making deep cuts in tariffs and quotas intended to bring more fairness to international commerce and a burst of growth to the world economy.

The 22,000 pages of the agreement spell out the minutiae of rules that make up the roadmap of international trade. In the United States, tariffs the taxes charged on imported goods would be eliminated on such diverse products as refrigerators, sewing machines, small motorcycles and candles, creating new competition from foreign manufacturers suddenly given free access to free-spending American consumers.

But there would be winners, too, in the United States, as lower tariffs around the world open foreign markets for factories and fields, creating new jobs in the process. Senate approval of the accord, which was endorsed by the House Tuesday and now goes to Clinton for his signature, brought to a close the tumultuous 103rd Congress. The president had called the lawmakers back to Washington for a rare, post-election session to vote on the agreement.

The trade accord will vastly expand the reach of the General Agreement on Tariffs and Trade, created in 1947, beyond the traditional arena of manufacturing to cover agriculture and, to a lesser extent, financial services and such intellectual endeavors as the creation of pharmaceuticals and entertainment productions.

The "future prosperity of our nation" rests on the pact, said departing Senate Majority Leader George J. Mitchell, D-Maine, who cast his final votes in the Senate. "The agreement is a very good deal for America and a very great improvement on the current (trading) system," Mitchell said.

Clinton, saluting the Senate in remarks at the White House, said the vote "shows once again that our country is moving in the right direction, reaching out to the rest of the world and looking at the best interests of our own people."

Approval of the agreement by the United States is expected to spur other nations to act, so that it can go into effect Jan. 1. So far, 36 of the 124 nations considered likely to take part have given formal approval to the plan, among them Germany, Britain, Mexico, Chile, Singapore, Malaysia and Thailand. Japan is expected to act on the measure as early as Friday.

"This is a decision that is going to have an impact around the world, a positive impact," said Sen. Bob Dole, R-Kan., who is all but certain to be Senate majority leader when the new Congress convenes in a month. "Let's face it," Dole said. "We're going to be the big beneficiary the United States of America."

But Sen. Ernest F. Hollings, D-S.C., bitter in his opposition to the agreement, said after the vote: "This is the gravest mistake that the U.S. has ever made on economic policy."

And Sen. Byron L. Dorgan, D-N.D., argued that the pact would continue earlier trade practices and allow multinational companies to drive down U.S. wages by employing low-paid foreign laborers. "This is one more big drink from the same old bottle," he said.

As wide as the impact of the agreement is likely to be, it lit few sparks on the floor of the Senate. For most of the 20 hours of debate, which began Wednesday, there were rarely more than half a dozen senators in the chamber at any moment and the visitors' galleries were half empty.

The accord could cut tariffs by an average of 38 percent, eliminating them in such important sectors of the economy as steel, pharmaceuticals, paper and medical equipment. Republican and Democratic supporters alike predicted it will create 500,000 jobs in the United States as a result of increased commerce with foreign nations.

Similarly, there is general agreement that the $744 billion in tariffs that would be eliminated around the world, if the pact is fully implemented, will amount to the largest single tax cut ever enacted anywhere.

(End optional trim)
for U.S. companies and, the administration has argued, jobs for American workers.

(Critics argue that in agreeing to change the rules, the United States leaves itself open to the demands of an international bureaucracy running the new World Trade Organization, which would replace the General Agreement on Tariffs and Trade—an organization that, confusingly, bears the same name as the agreement itself.)

The World Trade Organization, the critics say, would have too much authority to overturn U.S. laws protecting the environment and worker safety if it found that the regulations were used to unfairly keep foreign products out of the United States.

Under a plan worked out by Dole, a panel of U.S. appellate court judges could be asked to determine whether the international panel was ruling arbitrarily against the United States. If they found that the trade body was operating unfairly, the Congress could vote to withdraw the United States.

(The measure was approved by 35 Republicans and 41 Democrats. Thirteen Democrats and 11 Republicans voted against it.)

That final vote, however, was anticlimactic. The true test came earlier as the Senate had to muster 60 votes to waive its budget deficit rules, 10 more than the simple majority required to approve the pact itself. Sixty-eight senators voted for the waiver, while 32 were opposed.

That earlier step was necessary because budget law requires Congress either to cut spending or raise taxes to match revenue that will disappear under the accord.

Overall, the trade plan would cut tariffs in the United States by $12 billion over the next five years and approximately $40 billion over 10 years although the measure would ultimately produce, by the administration's count, as much as three times as much in tax income as a result of greater economic activity.

ANALYSIS:
Are GATT Opponents' Fears Justified? (Washn)
By James Risen=(c) 1994, Los Angeles Times=
WASHINGTON Opponents of the sweeping world trade agreement approved Thursday by the Senate have convinced many Americans that it will give birth to a new supra-government, a secretive, omnipotent international agency able to ride roughshod over U.S. interests.

But for a contrasting perspective on the real power of international agencies, look no further than Sarajevo.

Even as lawmakers were debating the General Agreement on Tariffs and Trade in Washington, United Nations Secretary General Boutros Boutros-Ghali was being openly snubbed by factional leaders and loudly jeered by angry crowds in the Bosnian capital. It was not the U.N.'s global power that provoked such hostility; it was its impotence in dealing with the kind of international crisis it was supposed to mediate.

The new World Trade Organization that will be established under GATT to arbitrate international trade disputes has stirred emotional fears that American sovereignty will be usurped. But GATT supporters say the cries of "one world government" are overblown. After all, they ask, how many Americans now fear international legal rulings from the World Court?

"Hey, if the Serbs can kick the United Nations around, then why should any American worry about the WTO?" asks Jeffrey Schott, an international trade expert at the Institute for International Economics in Washington.

What's more, supporters argue, the WTO, like other elements of the GATT accord, bears the "Made in America" stamp from top to bottom. The agency was first proposed by U.S. trade negotiators after Congress complained loudly at the refusal of other nations to abide by international trade rulings. The WTO was not imposed on U.S. bargainers by foreign powers eager to erode American clout in international trade.

"In fact, the new trade dispute system, rather than being a threat to us, will work to our advantage," argues Rep. Anthony Beilenson D-Calif., who supported GATT when it passed the House on Tuesday.

Trade analysts note that, overall, the GATT agreement is the product of seven years of detailed negotiations that were driven to a surprising extent by American trading interests.

It will slash worldwide tariffs by an average of 38 percent, provide new protections for an array of products and bring agriculture under the GATT for the first time. Above all, it marks the first worldwide agreement to provide greater market access for services and information-age exports from the United States and other advanced industrial nations. In return, developing nations will be granted improved access in the First World for their basic manufactured goods.

The expected benefits of GATT to the American economy have brought support from most American business and agriculture organizations. The Clinton administration has dubbed it the largest tax cut in history, since it will provide greater market access for services and information-age exports from the United States and other advanced industrial nations. In return, developing nations will be granted improved access in the First World for their basic manufactured goods.

The opponents range from Pat Buchanan, the conservative columnist and former Republican presidential candidate, to Texas billionaire and former independent presidential candidate Ross Perot, to consumer advocate Ralph Nader. Along with GATT foes in the textile industry, they sought to mobilize public opinion against the World Trade Organization in last-minute newspaper and television ads, warning that America was on the verge of signing away its sovereignty.

"For the first time in our history, a foreign body will have the right to hear challenges to any U.S. law, and rule against it as an obstacle to trade," argued Pat Choate, a Washington writer and consultant on trade and a critic of GATT.

"The WTO puts us in a vice and squeezes," added Michael McCloskey, chairman of the Sierra Club, who opposes GATT's impact on U.S. environmental laws.

For such critics, the WTO's basic flaw is that it takes away the ability of the United States to veto international trade rulings. They charge that the organization will give power to international bureaucrats who will operate in secret with no accountability and no conflict-of-interest rules, while stripping large nations like the United States of the kind of representative power that it enjoys in other international organizations like the U.N., the World Bank and the International Monetary
Clinton Proposes Adding $25 Billion to Defense Spending (Washn)

By Art Fink©(c) 1994, Los Angeles Times=

WASHINGTON President Clinton was expected to blunt a Republican attack over the politically explosive issue of U.S. military readiness, proposed Thursday spending an extra $25 billion over the next six years to bolster military preparedness and modernization of weapons.

The proposal is Clinton's first major policy initiative since the GOP victory in the Nov. 8 elections. It would finance more training and equipment maintenance, grant new cost-of-living pay increases, upgrade military housing and expand child-care services.

The president also announced he will ask Congress next January for an extra $2.3 billion for the current year's defense budget to help reimburse the military for peacekeeping and rescue operations, which it says has siphoned off monies needed to maintain readiness.

Although administration officials contend that the increases had been in the works for months, the timing of the announcement, which Clinton made at a Rose Garden ceremony flanked by the Joint Chiefs of Staff clearly was intended as a pre-emptive strike against the GOP.

Restoring many of the defense cuts that Clinton had made earlier was Item No. 6 in the 10-point "Contract With America" that Republicans used to help seize control of the House in last month's election. The GOP had been preparing a push for more defense spending in 1995.

Only two weeks ago, the Pentagon disclosed that five key Army divisions had suffered significant declines in readiness as a result of the cash-flow problems despite earlier assertions by top officials that preparedness levels were high.

White House and Pentagon officials declined to say how the president would find the money needed to pay for the increase by cutting domestic programs, proposing new tax hikes or allowing the federal budget deficit to grow.

Reaction from Republicans was muted. Rep. Floyd D. Spence, R-S.C., expected to be chairman of the House Armed Services Committee next year, said he was heartened by the announcement but said defense spending still falls short of what is needed.

There was some dispute over how far the initiative would go to close the gap between the long-term goals of the Clinton's defense program to enable the military to fight two major regional wars nearly simultaneously and what he actually has budgeted for defense.

John M. Deutch, the deputy secretary of defense, told reporters that with some additional cuts from delaying or reducing weapons programs, the administration could eliminate the gap, which is now officially estimated at $49 billion over the six-year period. But many outside analysts disagreed.

Administration officials listed four separate parts of the initiative:

Some $2.7 billion over five years to boost morale and retention rates by improving military housing conditions, expanding child-care, welfare and recreation programs and providing an extra pay allowance for personnel stationed in high-cost areas.

About $12.5 billion during the period to provide maximum cost-of-living allowances to military personnel an increase that the administration eliminated as a cost-cutting move in its first defense budget but was later forced by Congress to provide.

Up to $9.8 billion in additional funds, most of it toward the end of the decade, for modernizing the armed forces by buying new, presumably more high-technology weapons to replace aging aircraft, warships, tanks, missiles and guns.

A request for an emergency appropriation in January probably for about $2.3 billion to reimburse the services for money they spent carrying out peacekeeping and rescue missions. Without this, they would have to cut training and maintenance.

Officials said the money earmarked for bolstering readiness would be used to restore regular training schedules, reduce backlogs at military depots and maintenance facilities and buy more special munitions.

It also is expected to go to train more relief crews to help alleviate strains on military personnel who are in units that are constantly on the go, such as Airborne Warning and Control Systems (AWACS) planes, Patriot air-defense missile battalions and Navy frigates.

In addition to restoring operation and maintenance funds, the money is expected to reduce the number of major new weapons programs the Pentagon is likely to have to delay or cut back.

In a memorandum to service chiefs last August, Deutch asked for proposals for cutting or postponing up 10 such projects, including the Air Force's proposed new F-22 jet fighter, to help finance the pay hike and readiness programs, though he gave no dollar total for the cuts.

Thursday, however, he said the outbacks probably would not exceed $10 billion or $12 billion, a figure he described as sharply reduced from the undisclosed target he had anticipated before.
becomes the first major political figure and Clinton associate to be snared by the investigation of Whitewater independent counsel Kenneth W. Starr. The plea comes in response to evidence gathered by Starr that Hubbell had overbilled his legal clients, including the federal government.

Until he resigned March 14, Hubbell was the nation’s No. 3 law enforcement official and an early appointee of the president. Not since the aftermath of the Watergate scandal in the mid-1970s has a former top Justice Department official ended up on the other side of the law as a result of a presidential scandal.

Neither Hubbell nor his attorney, John W. Nields, could be reached for comment. Starr and his associates declined to comment.

Because of Hubbell’s long personal relationship with Clinton, the guilty plea surely will be portrayed by critics as another black eye for the president. Hubbell was the president’s frequent golfing partner and a close political ally during Clinton’s years as Arkansas governor.

During the 1990 gubernatorial campaign, in fact, Clinton called Hubbell “my best friend.” And White House counselor Thomas F. “Mack” McLarty, another close Clinton ally from Arkansas, told a Little Rock newspaperman in a recently published book that Hubbell “is the person whose company the president enjoys most in the world.”

Since coming to Washington with a large entourage of former Arkansas associates, the Clintons have watched as many of their old friends have encountered difficulty in high office.

Of Mrs. Clinton’s three Rose Law Firm partners who accepted appointments in the administration, none are still serving. Former White House counsel Vincent W. Foster Jr., who committed suicide, former White House Counsel William Kennedy has returned to Little Rock, and Hubbell resigned because of his legal problems.

The charges against Hubbell stem from work that the Rose Law Firm did for the government in resolving savings and loan failures in Arkansas. According to The Associated Press, documents provided to the independent counsel by the Rose firm show that Hubbell double-billed the government for at least $29,400 in the thrift cleanup work.

Sources said that the government was only one of several clients overbilled by Hubbell. His federal financial disclosure form for 1992 listed $310,000 in income from Rose, which he said included some deferred earnings from 1991.

The charges against Hubbell were a byproduct of Starr’s investigation into the Whitewater real estate investment of the Clintons and James B. McDougal, owner of the now-defunct Madison Guaranty Savings & Loan. The central focus of the inquiry is allegations that Clinton and his campaign were improperly enriched by money from Madison.

Rose firm lawyers, including Mrs. Clinton, had done legal work for Madison. After it collapsed, Hubbell was paid by the government to settle a lawsuit against an accounting company accused of negligence in Madison Guaranty’s failure.

Other members of Hubbell’s family are deeply involved in the case as well. His father-in-law and brother-in-law took out nearly $1.3 million in loans from Madison.

When Hubbell resigned in March of this year, he said that he was quitting government to deal with private matters relating to “compensation and reimbursement” questions raised by his former partners at the Rose firm. His departure caused widespread disappointment among career employees at the Justice Department, where he was regarded as a good administrator.

The bulky Hubbell was an offensive lineman for the University of Arkansas Razorback football team in the late 1960s, appearing in the Sugar Bowl where he allowed an opponent to get past him and sack the quarterback. “Quarterbacks and running backs are remembered for their achievements,” Hubbell once lamented. “Offensive linemen are remembered for their mistakes.”

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Counsel Says No Charges in Clinton Passport Case (Washn)
By David G. Savage

(c) 1994, Los Angeles Times

WASHINGTON The independent counsel who was named to investigate alleged election-year tampering with the passport files of an Oxford University student named Bill Clinton said Thursday that he would not file any criminal charges in the case.

“The investigation is over, and there aren’t going to be any indictments,” said Joseph E. diGenova, a former U.S. attorney here who was appointed two years ago to investigate the matter.

His lengthy report on the investigation will reportedly clear several State Department aides who served under President Bush and were accused of searching through passport records for partisan political purposes.

But diGenova refused to discuss the details of his findings until a special three-judge panel receives his final report.

“I hope to file the report (on the investigation) by the end of the year, and once the court releases it, I can discuss it in detail. But I am authorized to say we won’t be bringing any charges,” he added.

Late in the 1992 campaign, rumors surfaced that Clinton, while studying in England, had traveled to the Soviet Union with the intent of renouncing his U.S. citizenship in protest over the Vietnam War. Clinton said during the campaign that the rumors were totally false.

According to the State Department’s inspector general, several employees at the State Department ordered a search of Clinton passport files from the late 1960s to see if there was any damaging information on the Democratic presidential nominee.

Other reports said White House officials under James A. Baker, who was then running Bush’s re-election campaign, had also inquired whether any damaging details could be found in Clinton’s files.

Several of the accused officials admitted they had indeed ordered a search of the passport files, but said they did so only because reporters had filed a Freedom of Information request seeking travel information that is on file.

After 21-day investigation, the inspector general, Sherman M. Funk, concluded that several State Department aides had violated government regulations by ordering the search, but he also said they did not violate criminal laws. Funk also dismissed the allegation that there was an organized White House effort to dig up damaging information.

Funk reported his findings to outgoing Attorney General William Barr, who in December, 1992, appointed diGenova to investigate whether any criminal laws were violated.

Reached by phone, Funk, who is now retired, said diGenova’s two-year investigation appears to have confirmed his initial inquiry.

(Original add end)
also said he may hold House hearings on these issues when
counsel investigating Espy on other matters, to determine
hard-working civil servant could have been ousted to give
all members of the Agriculture Committee to think that any
USDA and the Civil Service and the Hatch Act," Roberts
said in an interview. "It is of deep concern to me and to
expected to become House Agriculture Committee chairman,
illicit campaign contribution."
partisan allegiance and the job changes at the
connection between the contributions or any employee's
others identified as Republicans were transfered to
desirable jobs under the Clinton Administration while
agriculture secretary later received promotions or more
in Agriculture Dept. (Washn)
"I find that strange. I did what the law required me
to do. I turned the information over to the attorney
general," he said. "I also can't understand why it took
him two years to do what we did in 21 days."

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Inquiry Looks Into PAC Activity
in Agriculture Dept. (Washn)
By Alan C. Miller
(c) 1994, Los Angeles Times
WASHINGTON A federal watchdog agency said Thursday
that it has opened an inquiry into fund-raising activities by
high-ranking career employees in the Agriculture Department
for a political action committee that supported Bill Clinton's
1992 presidential election bid.
The Office of Special Counsel, which is responsible for
maintaining the integrity of the Civil Service system, said it
was investigating whether Agriculture Department employees
who allegedly raised funds for the PAC violated the Hatch
Act, which at the time prohibited all solicitation or collection
of campaign funds by civil servants. Violations are punishable
by job suspension or dismissal.
Thirty-eight senior career employees then working in the
Agricultural Stabilization and Conservation Service
made contributions of $50 to $500 to the Farmers &
Ranchers '92 PAC, which was established to raise funds
by farm interests for Democratic candidates and heavily
backed Clinton's campaign. Some of those approached, most
of whom were Democrats, said they were solicited by
colleagues and gave their checks to co-workers.
The probe was initiated in response to allegations in a
Nov. 21 article in the Los Angeles Times, said officials
at the Office of Special Counsel. The Times also reported
that many contributors to the PAC which was co-chaired by
then-Rep Mike Espy, who was subsequently appointed
agriculture secretary later received promotions or more
desirable jobs under the Clinton Administration while
others identified as Republicans were transferred to
lower-profile posts.
Espy said through a spokesman that his position with
the PAC was purely honorary and that there was no
connection between the contributions or any employee's
partisan allegiance and the job changes at the
Agriculture Department. Regarding the Hatch Act inquiry,
Espy's spokesman, Tom Amontree, said, "We welcome the
review."

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NATO Will Offer Membership to
Some Ex-Warsaw Pact Nations (Brussels)
By Norman Kemperst and Tyler Marshall
(c) 1994, Los Angeles Times
BRUSSELS, Belgium North Atlantic Treaty Organization
foreign ministers agreed on a plan to expand membership
to the east Thursday, a step that drew a sharp protest from Russia
and could produce new splits in the 45-year-old alliance.
With remarkably little opposition for such a
potentially controversial measure, the NATO ministers
approved a U.S. plan calling for a yearlong debate over
conditions for membership prior to admitting the first new
members probably sometime in 1996.
"The United States has a comprehensive strategy in
Europe, and today we set about implementing that
strategy," Secretary of State Warren Christopher said
following the meeting of foreign ministers of the
16-nation alliance.
In a joint communiqué, NATO said it was "premature"
to begin selecting new members or even to set a firm
timetable for ultimate expansion. But the alliance agreed to
fix the number of new members at 16, and to make the partnership a permanent organization to provide a
link between NATO and the Central and Eastern European
nations which fail to qualify for full membership.
But Russian Foreign Minister Andrei A. Kozyrev
immediately dashed cold water on the U.S. victory. He
complained that NATO is moving much too fast in opening
membership to Moscow's Cold War allies. He said it is
"difficult to understand" why NATO would establish a
procedure that might produce new members by the end of
next year.
Kozyrev refused to go through with a long-planned
NATO-Moscow agreement on future military cooperation. He
said his government "needs some time to clarify" NATO's
intentions.
U.S. and European officials said they are optimistic
the Russian foreign minister will sign the agreement
eventually. A NATO official dismissed his action as "a
piece of theater." And a U.S. official said it appeared to be aimed at "domestic politics" in Russia.
Although no conditions were outlined in the communiqué,
State Department spokesman Mike McCurry said Washington
is determined to limit membership to countries with democratic
governments, a provision that would rule out many potential
members, especially former Soviet republics in Central Asia.
Russia presumably could qualify, but Moscow opposes
NATO expansion out of hand. Russian officials say the
country does not want to join and objects to any expansion
that would isolate and encircle Russia by admitting former
members of the Soviet-led Warsaw Pact.

(Optional Add End)
Kozyrev complained that "the NATO communiqué raises more questions than it answers," after meeting for an hour with Christopher and other NATO ministers, Kozyrev said he had been "greatly reassured." But he still refused to sign.

McCurry said Kozyrev's action came as a surprise, because the U.S. government had briefed Russia on its plan for NATO expansion.

A German official said Kozyrev may have been "trying to take advantage of the mood" of European allies already nervous about expansion.

(End optional trim)

Despite the communiqué's enthusiastic language on expansion, it is no secret that several European allies are worried.

Some members, such as Spain and Italy, are said to be concerned that extending alliance guarantees to Central and Eastern European nations could distract NATO from existing commitments in the Mediterranean region.

Others are unsettled by the Clinton administration's desire to move quickly on the expansion issue, fearing it could both alarm Russia and cause additional tensions within an alliance that has already experienced severe strain in recent months over its inability to stop the bloody ethnic war in Bosnia.

NATO Secretary-General Willy Claes admitted at a news conference that the alliance was facing severe strains over the crisis in Bosnia-Herzegovina. But he said the agreement on expansion shows that the alliance is able to take decisions on matters beyond the Balkan conflict.

Claes, a former Belgian foreign minister, said he knows of no country willing to commit the hundreds of thousands of troops that would be required to force the warring factions in Bosnia to make peace. He said NATO will continue to use its warplanes in the Balkans when requested to do so by the United Nations command, but he said the alliance will not expand its role or act without U.N. approval.

(End optional trim)

Although the decision on NATO expansion deflected attention from Bosnia, it also highlighted other splits within the alliance. Even Germany, once Europe's biggest cheerleader for a rapid expansion, now advocates a more measured pace, in part because it fears such action could provoke Russia.

In a confidential telegram to Bonn ten days ago, Germany's permanent representative to NATO, Hermann von Richthofen accused the United States of unilaterally pushing the issue of rapid expansion in a way that could cause even deeper rifts within the alliance.

Croatia Says It May Send Troops to Fight Serb Rebels (Zagreb)

By Carol J. Williams

(c) 1994, Los Angeles Times

ZAGREB, Croatia Defense Minister Gojko Susak vowed Thursday that Croatia will send troops to seize back Serb-occupied territory if the government calculates that the teetering Bihac pocket in northwestern Bosnia-Herzegovina is about to fall.

His warning was the most ominous indication since a Serb assault on Bihac intensified three weeks ago that the international community's failure to protect the purported U.N. "safe haven" could be the catalyst for a wider Balkan war.

Croatian territory that has been under Serb nationalist occupation for the past three years has been used by the rebel forces as a staging ground for attacks on neighboring Bihac, as well as for provocations against troops of the U.N. Protection Force.

Susak's warning of an imminent rekindling of the unfinished war with Serb rebels in the Krajina region came as U.N. officials reported heavy machine-gun and small-arms battles have erupted along hundreds of miles of long-dormant front line in Croatia and that fighting around Bihac continued to rage.

The Bihac offensive waged by Bosnian Serbs with collaborating Krajina rebels has spurred fears that the nearly one-third of Croatia seized by Serbs in a 1991 rebellion would be lost forever with the fall of Bihac.

"Croatia will not wait for Bihac to fall," Susak told reporters at a news conference here. "We are well informed about the situation there, and if Croatia estimates that Bihac will fall, Croatia will intervene before that."

"We are not far from the time when Croatia not only will be able to but will take action," added Croatian army Chief of Staff Gen. Janko Bobetko, who noted that the U.N. mission has failed to provide the protection promised Bihac by a U.N. Security Council designation of "safe haven."

Serb nationalism from both Bosnia and the Krajina region have continued to bombard Bihac with heavy artillery, and hand-to-hand combat has reached within a half-mile of the enclave's sole hospital, said U.N. spokesman Alex Ivanko.

Bosnian Serb rebels also stepped up the intensity of an apparent campaign to drive U.N. troops out of the region with an unprecedented cross-border kidnapping incident.

Gunning loyal to Bosnian Serb leader Radovan Karadzic infiltrated a U.N.-patrolled area of Krajina adjacent to the Bihac pocket and forced seven Ukrainian soldiers at gunpoint back into Serb-held Bosnia.

Serbs also fired two wire-guided missiles into the Interior Ministry building in Sarajevo, wounding four people, and denied passage to dozens of U.N.-escorted aid convoys.

And Sarajevo's airport remains closed to humanitarian relief flights by the surrounding Serb forces who recently positioned surface-to-air missile systems near the runway.

(The end of optional trim)

U.N. Secretary-General Boutros Boutros-Ghali warned during a failed peace mission to Sarajevo on Wednesday, when Karadzic refused even to talk to him, that the U.N. mission might have to be withdrawn unless the fighting and harassment stop.

Boutros-Ghali attempted to pressure the Muslim-led Bosnian government to capitulate to the Serbian terms for peace, but Sarajevo officials have refused, fearing a surrender would lead to further "ethnic cleansing" and brutality at the hands of the emboldened Serbs.

Despite the peacekeepers' rapidly deteriorating influence, U.N. officials refuse to call in NATO air strikes to rein in the Serbs for fear the heavily armed rebels will exact revenge against the nearly 500 U.N. hostages they are holding as human shields. Thousands of other troops of the 24,000-strong Bosnian deployment are also within easy reach of the rebels.

(The end of optional trim)

The international community's inaction in Bosnia has heightened fears in Croatia that its own future is in peril if it continues to put faith in U.N. promises to facilitate a peaceful
reintegration of the Serb-occupied region.

Gen. Anton Tus, chief military adviser to President Franjo Tudjman, argued that the Bosnian and Croatian Serb forces are clearly working in concert to create a united Western Serbia from their occupied territories and should be stopped.

"We cannot let Bihac fall. We must act before this can happen," Tus insisted.

(Original add end)

"If the Bihac pocket falls, it would have strategic significance for both the political and military options" open to Croatia for recovering territory in Krajina, Tus said.

He noted that with Bihac's important rail, highway and river connections, the Serb rebels would gain an iron grip on the land they have conquered in both countries.

"The international community, especially the United States, is wrong in its refusal to prevent the occupation of the Bihac area and aggression launched from the U.N.-protected areas," Tus said.

Susak and other military officials have said they were prepared to send troops into Krajina two weeks ago when the Croatian Serb rebels were preoccupied with the assault on Bihac, but held back at the urging of U.S. diplomats who feared that would reignite the Serb-Croat war and possibly spread throughout the Balkans.

Heterosexual Transmission of AIDS Grows, CDC Director Says (Atlanta)

By Eric Harrison

(c) 1994, Los Angeles Times

ATLANTA Declaring AIDS to be the leading cause of death among Americans between the ages of 25 and 44, the director of the Centers for Disease Control and Prevention said Thursday the disease has moved dramatically into the heterosexual community and that the transmission rate there is growing.

"In the history of epidemics, AIDS is among the worst in the world," CDC Director David Satcher told a gathering of Atlanta business and labor leaders. He said knowledge of the extent of HIV infection is "imperfect and incomplete," but added that "every day we're learning something new about the virus and moving closer to a cure."

In the United States, 400,000 people have contracted AIDS since 1981 and 250,000 people have died from it. Increasingly, the victims are intravenous drug users and their sexual partners.

"In December 1984, three-fourths of AIDS cases were men who have sex with men," Satcher said. "This year, this group makes up only a little more than half of all cases, so you see the epidemic is changing."

Acquired immune deficiency syndrome is the leading cause of death among men in the 25-44 age group and the fourth leading cause in women in that same group behind cancer, accidental injuries and heart disease, according to preliminary 1993 data compiled by the CDC.

Among young black women, who make up 82 percent of American women with AIDS, it is the leading cause of death.

From 1985 to 1993, the proportion of people with AIDS acquired through heterosexual transmission increased from 2 percent to 7 percent.

Satcher was one of the speakers Thursday at an Atlanta
World AIDS Day conference held to promote adoption of AIDS awareness and education programs in the work place.

The CDC has helped companies establish education programs and AIDS policies for the past two years making the case, as one speaker said Thursday, that for most employers the cost of implementing a comprehensive education program would be less than the medical cost of treating a single person infected with HIV.

(End of article)

William H. Baumhauer, chairman and chief executive officer of DAKA International, a food service management company that also owns the Fuddruckers hamburger chain, gave several examples to illustrate why such programs are necessary.

In 1987, a college where the company operated a food service operation insisted that DAKA fire or remove from campus a gay general manager suspected of having AIDS. The next year, employees at one restaurant refused to work with a co-worker married to an HIV-infected man.

And three years ago, a college student who believed that DAKA was hiring people with AIDS because she had read the company had implemented an AIDS education program, expressed fear she'd contracted the disease after eating a salad that had blood on it. Baumhauer said the red substance was beet juice.

42 Nations Sign AIDS Help Declaration (Paris)

By Scott Kraft- (c) 1994, Los Angeles Times=

PARIS With the Eiffel Tower wearing a ribbon of bright red lights, political leaders from 42 countries signed a global declaration here Thursday, promising to protect the rights of people with AIDS and to work more closely with organizations representing them.

The declaration, like the ribbon on the Eiffel Tower, was largely symbolic. But delegates vowed it would launch a solid, international political effort to drum up more money for research, improve the safety of the blood supply and bring the world’s largest nations together in the battle against AIDS.

“We have to face the painful truth that this is only the beginning,” said Donna E. Shalala, U.S. Secretary of Health and Human Services, in an address to the opening session of the Paris AIDS Summit. “Any breakdown in human solidarity is a victory for the virus.”

Leaders of AIDS support groups cautiously welcomed the Paris Declaration, saying they were pleased that the issue was being discussed on a world stage by powerful political leaders but also worried that most countries will not take the document seriously.

Many agreed with the AIDS activists who marked World AIDS Day on Thursday with a protest on the Champs-Elysees, laying prone beneath the Arc de Triomphe on the famed avenue and chanting: “Not words but action!”

“This declaration doesn’t do much for the needs of people with the disease,” said Arnaud Lavazelle, president of AIDSFED, the main association representing AIDS victims in France. “It’s a compromise, a political decision that doesn’t really help in our fight.”

Martin Clark, an American delegate for World GNP+, the Global Network of People Living with HIV/AIDS, said the declaration “is just a photo opportunity yet again.”

“There is nothing from this summit that will insist on changes in, for example, the U.S. immigration laws,” said Clark, from San Francisco. “There are still ways to skirt around the issue and that is not acceptable.”

U.S. immigration policy, which requires special visas for people who are infected with HIV, the virus that causes AIDS, came under sharp criticism from delegates attending the conference. Russia and Japan, whose delegates also signed the declaration, also place restrictions on foreigners with AIDS who want to enter those countries.

(End of article)

Christophe Martet, an member of the French branch of Act-Up who is HIV-positive, said he didn’t think the Paris Declaration would make AIDS sufferers any more welcome in those countries. “Each time I go to the States, I will still have to cross my fingers,” he said.

The declaration specifically binds the countries to, as a matter of national policy, “ensure equal protection under the law for persons living with HIV/AIDS in access to health care, employment, education, travel, housing and social welfare.

Although the declaration seems to contradict current U.S. policy, Shalala, President Clinton’s representative at the summit, said no international declaration could override American laws set by Congress. “No one can change a policy sitting here in Paris,” she said in an interview. “But it means we’ll keep our focus on the issue. This is really about solidarity in the fight against AIDS.”

Those who complain that the declaration doesn’t go far enough “are right,” Shalala added. “As far as I’m concerned, until we rid the world of this disease, we won’t have gone far enough. But this is a strong step, a building block.”

Key Lawmaker Retreats from GOP 'Contract' on Welfare Reform (Washn)

By Elizabeth Shogren=

(c) 1994, Los Angeles Times=

WASHINGTON A Republican lawmaker whose panel will draft the House version of welfare reform expressed deep reservations Thursday about denying benefits to unmarried teen-age mothers a central element of the GOP’s “Contract with America.”

The unexpected retreat from a key contract provision suggests the new Republican majority on Capitol Hill is not fully united behind the aggressive legislative agenda promoted by incoming House Speaker Newt Gingrich of Georgia.

Rep. Clay Shaw, R-Fla., who will chair the House subcommittee with jurisdiction over welfare reform, said he cannot support Gingrich’s proposal to permanently deny cash benefits to poor women who have children while they are teen-agers.

The proposal, contained in the legislative manifesto signed by more than 300 GOP congressional candidates, is designed to discourage out-of-wedlock births.

Under the plan, even if a mother who had her baby before she was 18 applied for welfare years later, she and that baby would not be eligible. The plan would also allow states to extend ineligibility to babies born to mothers aged 18 to 20.

“I don’t want to be unduly harsh,” Shaw said, expressing concern about the constitutionality of a proposal that would treat babies born to teen-age mothers differently than other infants.

Shaw earlier declined his intention to use the contract as his legislative blueprint in committee deliberations over welfare reform, but Thursday said he would not.

His reservations are shared by at least one other House
Orange County's Once Enviable Portfolio Takes a Dive (Santa Ana)

By Mark Platte and Debora Vrana

(c) 1994, Los Angeles Times

SANTA ANA, Calif. In a financial tremor felt coast to coast, officials disclosed Thursday that Orange County's high-risk, high-return investment pool, one of the nation's largest, had plunged in value this year by nearly $1.5 billion. None of the 180 or so cities and other agencies that rely on the county to invest their pension funds, bond proceeds and other cash have pulled out of the investment pool, whose complex holdings were hammered as interest rates unexpectedly soared.

A rush by those agencies to withdraw their funds from the pool worth $18.6 billion after falling 7 percent in value since January could force the county to begin selling its holdings, which might accelerate the losses and cripple local government.

"A run on the asset pool will be a death spiral," said Zane Mann, editor of the California Municipal Bond Advisor in Palm Springs. "It would force the treasurer to sell even more securities, which would force the treasurer to sell even more securities, which might accelerate the losses and cripple local government.

That constitutional concern was brought up by the Congressional Research Service earlier this year regarding a similar provision in a welfare reform bill introduced by conservative Republicans. In a private memorandum obtained by the Los Angeles Times, the service cautioned that such a provision would "raise constitutional concerns." But Rep. James Talent, R-Mo., an author of the provision, said he didn't "see the Constitutional problem." He stressed that while the bill would terminate federal benefits, other money would be available to states to enable them to help young mothers.

Both the Clinton administration and Republican congressional leaders have named restructuring the welfare system as a top priority and the debate over restitching this essential aspect of America's safety net is likely to emerge as a defining element of the coming Congressional session.

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Clintion administration officials, who have seen their chances of orchestrating a welfare overhaul disappear since the Republicans took over both the House and the Senate in last month's election, were relieved to hear of the Republicans' dissenion.

"That would be a big step in the right direction," said Bruce Reed, a domestic policy adviser to the president. "It would be good if cooler heads prevail." While they disagree with the solution offered by the contract, Administration officials, Shaw and Johnson concurred that the current system sends the wrong signal to young people by offering them cash assistance and enabling them to move out of their parents' homes if they have children.

The administration welfare overhaul plan, which is expected to be reintroduced next year, would require teens to live with their parents or guardians to get government assistance.

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At issue both in Citron's successful re-election campaign this year and since then has been the fund's purchase of highly sophisticated "derivative" investments. Rather than investing directly in stocks, bonds or commodities, buyers of derivatives make or lose money on fluctuations in the prices of those investments, market indexes or complex combinations of rate shifts.

The big loss is a blow to Orange County's high-risk, high-return investment pool, one of the nation's largest. In recent years, its investment returns have been the envy of the industry, but they also have been the target of critics who say Citron takes too much risk with public money.

This week, the chief administrator in Orange County held two emergency meetings with investors to request they not draw higher-than-normal amounts of money from the pool.

So far, no investor has requested that its funds be withdrawn from the pool, county officials said. Matthew Raabe, the county's assistant treasurer-tax collector, said the 11 largest investors including the Orange County Transportation Authority have agreed to keep their money in the fund.

At a Thursday afternoon news conference, Citron was noticeably silent as other top county officials sought to characterize the news of the $1.5 billion market value decline as nothing more than a "paper loss" that may correct itself if interest rates again begin to fall.

"It's a liquidity problem," said Raabe. "It's something we need to work through, but it is not a crisis and it is not catastrophic." Citron, who remained in the background, made a brief defense of his investment strategies.

"For 15 years I have been managing the portfolio this way," he said. "What I did was not irresponsible in any manner, shape or form." While county officials attempted to minimize the impact of the situation, they acknowledged that there could be a severe financial blow to the county and other investors in the county investment pool if participants panic and withdraw their money or if interest rates continue to rise.

"It does not affect the county employees or the county constituency in any way unless people do not cooperate and we are forced to sell our securities," said Raabe.

"The very worst case scenario is that if everybody who is working with us choose not to, we would have to
Administration, Marshals Service and Immigration and
Department unit created a year ago to end interagency
Office of Investigative Agency Policies, a Justice
many of these aliens simply blend into American society
and removal of the alien," Freeh said. "At present, too
will fail unless they include provisions for the detention
at a future hearing or are released on their own recognizance.
and remain in the country is by requesting asylum," Freeh
either to post a small bond guaranteeing their appearance
undergo thorough scrutiny at the outset, as well as some
form of continuing scrutiny," Freeh said. Follow-up
investigation of students would include reviewing their
academic records.
"Obviously, the intent is not to harass an alien who
lawfully opts either to study in this country or to marry
an American," Freeh said. "Instead, the intent is to
ascertain which aliens are using these avenues as a means
to remain in this country indefinitely ... to engage in
unlawful conduct. I recognize that certain legitimate
privacy interests are implicated."

(F reign optional trim)

In deportation or other proceedings against aliens, Freeh noted that government agencies do not use
"protected or classified information," including that
from electronic eavesdropping and confidential sources,
because existing law does not provide adequate means to
protect that information. Its disclosure, he said, "could
compromise ongoing investigations."

He called for establishing a special closed court
hearing on the use of such sensitive information at which
only the government would appear. Freeh urged the Justice
Department to reconsider "terrorist alien removal"
legislation that would create a court to conduct "special
removal hearings" against immigrants who take part in
international terrorist activities.

That legislation, backed by the administration, was
passed by the Senate in a 1993 crime bill that did not
become law.

Freeh criticized deportation appeal procedures on
grounds that they often delay action for many years.
"Failure to remove them swiftly from the United States
simply exposes our country to needless risks," he said.

Under present practices, some parts of an immigrant's
asylum file at the INS are not available to other law
enforcement agencies, Freeh noted.

He called for considering full or expanded disclosure
of immigrant asylum files.

Freeh also endorsed giving terrorism investigators
"roving authority" under the Foreign Intelligence
Surveillance Act to intercept communications. That
authority, now available in certain criminal
investigations, would allow targeting an individual's
telephone conversations over any phone, rather than
limiting surveillance to specific telephone numbers.

Freeh warned that criminals and terrorists now can take
advantage of the Visa Waiver Pilot Program, which allows
immigrants from participating countries to enter the
United States without first obtaining a visa overseas.
Some 22 countries now take part in the pilot program,
which was recently extended to Sept. 30, 1996.

By using fake documents that falsely show he is a
citizen of a country participating in the program, an
immigrant escapes State Department review aboad, Freeh
said.

U.S. to End Special Salvador
Refugee Program (Wash)
By Paul Richter and Ronald J. Ostrow=
(c) 1994, Los Angeles Times=
WASHINGTON The Clinton administration is expected to
announce Friday it will end a special refugee program for
Salvadoran immigrants, but will use procedures that make
it unlikely any would be deported for at least two years
and perhaps far longer officials said.

Setting aside the protests of Salvadoran officials and
some members of Congress, the administration will formally

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FBI Director Calls for
Tighter Alien Controls (Washn)
By Ronald J. Ostrow=
(c) 1994, Los Angeles Times=
WASHINGTON FBI Director Louis J. Freeh is calling for
tighter controls on student visas and alien marriages as
part of an intensified effort to curb terrorism by aliens
in the United States, it was learned Thursday.

Freeh made the recommendations to Deputy Attorney
General Jamie S. Gorelick, who asked him to review policies
and practices on immigrants entering and leaving the United
States in response to the World Trade Center bombing and to
killings outside CIA headquarters both linked to aliens.
The recommendations, now under review by the Justice
Department, also proposed strengthening investigative powers
against suspected "undesirable aliens," accelerating deportation
appeal proceedings and limiting U.S. participation in a visa
waiver pilot program under which 9&1/2 million foreigners
crossed the country in fiscal 1994.

"Aliens coming to the United States to engage in
illegal conduct know that one of the easiest ways to enter
and remain in the country is by requesting asylum," Freeh
told Gorelick. Under current procedures, they are asked
either to post a small bond guaranteeing their appearance
at a future hearing or are released on their own recognizance.
"Any legal procedures devised to address such aliens
will fail unless they include provisions for the detention
and removal of the alien," Freeh said. "At present, too
many of these aliens simply blend into American society
and never return for their immigration hearing." Freeh was acting in his capacity as director of the
Office of Investigative Agency Policies, a Justice
Department unit created a year ago to end interagency
conflicts between the FBI, Drug Enforcement
Administration, Marshals Service and Immigration and
Naturalization Service. He made the recommendation Sept.
26 in a four-page memorandum to Gorelick, which was then
included in the Nov. 18 annual report of the new Justice
Department office. A copy was provided to the Los Angeles
Times.

A Justice Department official said that the Freeh
proposals are part of a larger governmentwide review of
steps to prevent terrorism in the United States.

Freeh said that two categories of foreigners requiring
"additional scrutiny" are those who enter the country on
student visas but do not abide by the terms of the visas
and those who "engage in 'sham marriages' with American
citizens or permanent resident aliens" solely to become
legal residents.

(Begin optional trim)

Immigrants seeking entry on either grounds "should
undergo thorough scrutiny at the outset, as well as some

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complex derivatives have been the source of
noteworthy controversy all year, as rising interest rates worldwide
have triggered large, unexpected losses for numerous
municipalities.

Some regulators worry that the complex and risky nature of
the investments could threaten the stability of the
nation's financial system, and there have been calls in
Congress to ban derivatives. But the investments are a
fundamental part of many investment portfolios, serving in
their most benign form as hedges against market fluctuations.

liq
end the program that shielded 187,000 Salvadorans from deportation because of the long-running civil war in the Central American nation — a war that has now ended.

The effect on Salvadorans covered by the temporary program, however, is likely to be gradual, according to an administration official. The refugees will now have nine months from Dec. 31 to apply for formal political asylum permitting them to stay in the United States permanently. Within that period they will have the right to continue working.

Because of an overwhelming backlog of earlier asylum applications from many countries, the Salvadoran cases are not likely to be reviewed for at least two years, according to officials. "With our still focusing on current (applications), it will take years to get through that number," the official said.

The only exceptions are a small number of Salvadorans who have been convicted of aggravated felonies and are not eligible for asylum under any circumstances, according to officials.

There are an estimated 1 million Salvadoran immigrants in the United States, about half of whom are legal immigrants. The largest concentration, about 500,000, is found in Southern California.

The program's defenders have argued that money sent home by the Salvadorans estimated to come to more than $1 billion annually is essential to maintain the country's economic stability and support its fledgling democratic institutions.

In a meeting Thursday with U.S. Vice President Al Gore at the inauguration of Mexican President Ernesto Zedillo, Salvadoran President Armando Calderon Sol made a last-ditch plea that the program be extended.

Also Thursday, in a letter urging President Clinton to make a third extension of the program, the Congressional Hispanic Caucus argued that its end "will potentially mean an influx of 187,000 Salvadorans into El Salvador," creating pressures that could be "catastrophic."

But the State Department says that the improved conditions no longer justify special protections for the Salvadorans. And U.S. officials have argued it is necessary to ultimately end such temporary asylum programs, to assure that there is political support for other special deals when other foreign crises set off waves of immigration.

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Helms' Return to Power Worries Nicaraguan Officials (Managua)

By Tracy Wilkinson

MANAGUA, Nicaragua — For more than a century, politics here have been intertwined with events in Washington. Fortunes in Managua often depended on who was up and who was down in American governments. And Nicaraguans routinely turned to their U.S. allies to resolve domestic problems.

Last month's Republican sweep of Congress, then, sent heads here spinning, and the likely return of far-right Sen. Jesse Helms, R-N.C., to a powerful position in foreign policy has become a matter of intense debate.

Just as the Clinton administration was beginning to convince Nicaraguans that it had really adopted a "hands-off" policy in Central America, the Helms ascension is expected to revive attempts at direct influence or interference, depending on one's perspective.

"My concern is that Jesse Helms will introduce a greater degree of polarization in Nicaragua (by) backing positions of the extreme right here," said senior Sandinista official Victor Hugo Tinoco. "He could find a way to go around (Clinton) to make his own policy in Nicaragua."

A die-hard enemy of the Sandinista government that ruled Nicaragua throughout the 1980s and fought a civil war with U.S.-backed Contra rebels, Helms has often blasted the democratically elected, conservative government of President Violeta Barrios de Chamorro for being too soft on the left.

He was instrumental in blocking millions of dollars in U.S. aid to Nicaragua, money that finally began to flow last year. Nicaraguan officials are afraid that U.S. aid is in danger again.

The most explosive issue that Helms has championed and will renew is the return to U.S. citizens of property confiscated by the former Sandinista government.

According to the U.S. Embassy, there are 1,546 property claims pending from U.S. citizens. The Nicaraguan government has settled 220 claims in the last year, but the process is slow. Many of the compensated property owners are not satisfied with the bonds that the government is offering.

Enlisting Washington's help is a time-honored Nicaraguan tradition. Long before elements of the right joined with the CIA to form the Contras, a faction of Nicaraguans a century ago invited American adventurer William Walker to take over the country which he did until he was captured and executed by a rival Nicaraguan faction.

More recently, however, U.S. officials had taken pains not to show favoritism and to work with all sides, even the Sandinistas.

In the wake of Republican election victories, certain Nicaraguans are already planning to call on Helms. Adolfo Calero, for years a senior leader of the Contras, said he will use Helms' help in his upcoming presidential campaign.

"He (Helms) has the same demands as the Nicaraguan people," Calero said. "The only difference is he has the power to get what he wants."

Other Nicaraguans are glum at the prospect. With aid in jeopardy, Foreign Minister Ernesto Leal warned of an increase in "internal tension."

The Nicaraguan government is not alone in its concerns. Costa Rica, Central America's strongest democracy, and Honduras, one of Washington's staunchest allies, both have pending claims involving property confiscated from U.S. citizens.

And Helms worked to block the naming of Robert Pastor, an associate of former President Carter, as ambassador to Panama. Panama has been without a U.S. ambassador for nearly a year, even as the transfer of the Panama Canal to Panama proceeds.

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North Korea to Get $2 Billion Before Nuclear Inspections (Washh)
By Jim Manu= (c) 1994, Los Angeles Times=
WASHINGTON The Clinton administration revealed Thursday that under the agreement it recently signed with North Korea, the Pyongyang government will get nearly $2 billion in benefits before it has to submit to special international inspections of its nuclear program.

South Korea will contribute most of the money by supplying the equipment for new nuclear reactors which make it much harder for North Korea to make weapons-grade fuel. However, Ambassador-at-large Robert Gallucci, the Clinton administration's top negotiator also estimated that the costs to the United States will be "tens of millions of dollars."

The disclosures came at the first congressional hearing on the nuclear agreement. During the session, held by the Senate Foreign Relations Subcommittee on Asia, Republicans voiced considerable unhappiness about the deal the administration signed in Geneva in October.

"We seem to be giving up, virtually, on every front," complained Sen. Frank Murkowski, R-Alaska. He argued that the financial benefits North Korea are to receive will serve to "prop up" the impoverished Pyongyang government, so that it will be less susceptible to the threat of international economic sanctions.

The Clinton administration began negotiating with North Korea last year, after it refused to submit to the International Atomic Energy Agency's demand to carry out special inspections of two waste sites. Those inspections could show how much weapons-grade fuel North Korea produced in the past.

Under the deal, North Korea does not have to submit to the special inspections for approximately five years until after "a significant portion" of the work is finished for the new nuclear reactors. Gallucci said that work was worth nearly $2 billion. North Korea will not get any of the key components for the reactors, however, until the special inspections are carried out.

Gallucci argued repeatedly that the deal and the economic benefits to North Korea are worth the money because they stop North Korea's fast-developing nuclear program. It is more important to prevent the Pyongyang government from amassing large amounts of plutonium in the future than to find out, immediately, what relatively small amounts were made in the past.

It was unclear Thursday whether opposition is strong enough for Congress to vote to reject or modify the agreement. Some Republicans are talking about trying to pass legislation that would effectively limit the accord.

Under the deal, North Korea agreed to freeze its nuclear program now, and to dismantle the program over the next decade as it receives a series of benefits from the United States and its allies.

Those benefits include steps toward diplomatic relations with the United States; immediate supplies of fuel oil; and the construction of two light-water nuclear reactors to replace North Korea's current, gas-graphite nuclear facilities.

Clinton administration officials say that the two light-water reactors North Korea will receive, valued at $4 billion, will produce plutonium in a form that makes it more difficult to use. However, one nuclear specialist, Gary Milhollan of the Wisconsin Project on Nuclear Arms Control, testified at Thursday's hearing that the light-water reactors being supplied to North Korea are not risk-free.

"Although light-water reactors are less efficient at producing bomb fuel, these two giant reactors could turn out at least 70 bombs' worth of 'weapons-grade' plutonium per year," he said. He acknowledged, however, that "under the agreement, plutonium from the light-water reactors will not be available for at least a decade, whereas more plutonium from (North Korea's) smallest graphite reactor could be available as early as next year."

Red Army Terrorist Released From Prison After 22 Years (Bonn)
By Marjorie Miller= (c) 1994, Los Angeles Times=
BONN, Germany When Irmgard Moeller was imprisoned for life 22 years ago for the murder of three U.S. soldiers, the Cold War was in full force, the Vietnam War still raged and then-Chancellor Willy Brandt's "Ostpolitik" recognized what seemed to be a terminally divided Germany.

The 47-year-old Red Army Faction terrorist Germany's longest-serving female prisoner walked free into a radically different world Thursday, a physically changed woman whose "anti-imperialist" views apparently remain much the same.

"It's all still a bit unreal," Moeller said as she was released in the Baltic coast city of Luebeck.

Scores of supporters waved red flags, sang 1960's anti-war songs and chanted "Freedom for all political prisoners" in reunified Germany.

The U.S. State Department protested Moeller's early release on probation. "While we recognize the independence of German courts, we are disappointed that an unrepentant terrorist who murdered three U.S. soldiers has been freed from prison," the department said in an official statement. "Prior to this parole, the U.S. formally reiterated to the government of Germany our view that convicted terrorists should serve their full prison terms."

But the German government has made a tentative peace with the Red Army Faction, which is blamed for about 50 deaths in attacks on U.S., NATO and German business and political targets during a 20-year campaign against "imperialism and monopoly capitalism."

Moeller's release could set the stage for the release of seven other Red Army prisoners who have served at least 15 years of their life sentences.

Moeller was convicted of driving one of two car bombs into the U.S. Army Headquarters in Heidelberg on May 24, 1972, in protest at U.S. involvement in Vietnam. The blast killed Capt. Clyde R. Bonner and enlisted men Charles L. Peck and Ronald A. Woodward.

Then a striking 25-year-old with long, dark hair and bangs, Moeller was arrested six weeks after the attack and eventually sentenced to life in prison plus 15 years.

In jail, Moeller refused to undergo psychiatric evaluations to determine whether she is still dangerous. Nonetheless, earlier this month a court in the state of Schleswig-Holstein, where the prison is located, decided that she was no longer a threat to society and ordered her parole for reasons of poor health.

The woman who emerged from jail in jeans and a black leather jacket has long, graying hair and an age-lined face. She was pale and said to be suffering from heart and skin ailments and other problems stemming from 12 hunger strikes during her incarceration.

The daughter of devout Roman Catholics, Moeller was a middle-class university student in Munich when she moved from political protests to left-wing extremism in 1971, joining the underground Baader-Meinhof gang, which was soon renamed the Red Army Faction.
Among the group's attacks were a 1975 assault on the German Embassy in Stockholm, Sweden, in which four people were killed, and a 1979 attempt to murder Alexander Haig, who was then NATO Commander.

The Red Army Faction received support from the communist government in East Germany and help in training from Palestinian terrorist groups. After the Berlin Wall fell in 1989, it was discovered that about 10 former members of the group had been living there under new identities.

U.S. Role in NATO Seems More Uncertain as Bosnia Totters
(c) 1994, Los Angeles Times=
The following editorial appeared in Thursday's Los Angeles Times:

Why has the apparently imminent collapse of Bosnia-Herzegovina precipitated a crisis in the life of NATO? NATO was not brought into existence to settle disputes in the Balkans. Poorly as NATO may have functioned in attempting to restore peace there, any question about the continuing utility of the alliance would seem to require a broader frame.

Yet local events do sometimes force more-than-local questions. When the Soviet Union began the Berlin blockade in 1948, many in the United States did not believe that rescuing a recent enemy's mined capital was in the American interest. But the blockade and the ensuing Berlin Airlift helped force a larger question: NATO was founded in the following year.

The Balkans war is the Berlin blockade of the post-Cold War era. It has been clear since the failed Russian coup of 1991 that with the Soviet threat gone, NATO would need a new rationale. But what should it be? A security insurance policy? Russia and Ukraine could conceivably reunite and, if an expansionistic faction came to power, threaten Western Europe. Were that to happen, American assistance might again be required. A Soviet Union redux would, however, almost certainly turn its aggressive sights first to its lost empire in Central Asia rather than to Eastern, much less Western, Europe. The likelihood of any sudden march to the Atlantic is so remote that even if NATO were completely dismantled, a semblance of it could be mustered in time to meet a worst-case return of Stalinism.

European security will be threatened in the years ahead far less by neo-Stalinism than by smaller disputes across state borders and among national groups within states. Hungary is angry about the treatment of Hungarians in Romania and Serbia. Slovakia has quarrels with Hungary. Ethnic Germans in Poland are not as submissive as they once were. And the threat of illegal immigration has created new concerns everywhere.

How will the Western European leadership respond to this set of threats, and as it responds will it require or wish any American assistance? If collective security in Western Europe is defined to the virtual exclusion of Eastern Europe, if only the internal security problems of Western Europe are on the table, there would seem to be no call whatever for American participation. If, however, Western Europe intends to assume a measure of responsibility for security in Eastern Europe, then a role for the United States is more easily imagined. But what kind of role? When the question of NATO is posed in this way, the legitimacy of the Balkans war as a forcing of the question is obvious.

American isolationists cry that Western Europe can do whatever must be done in Eastern Europe without American help. American internationalists maintain that, given the burdens that the United States must bear alone in Korea and the Middle East, Western Europe should at least pay most of the cost of Eastern European security. Most important, perhaps, Americans of every political view have begun to wonder what Western Europe really wants.

France has seemed eager to create a purely European alternative to NATO. Germany lies low but may believe that it will emerge strongest should NATO be phased out. Britain, strengthened hitherto by its special relationship with the United States, would seem to have most to lose, but even London has lately seemed irritably ambivalent about the proper role of the United States in Europe.

As NATO meets in Brussels this week and as the Conference for Security and Cooperation in Europe meets in Budapest starting today, these are questions that can no longer be avoided. Whether and how they are addressed may well determine whether the breakup of Bosnia will prove to be the prelude to a larger transatlantic divorce.
The Senate voted to approve the global GATT trade bill by an unexpectedly wide margin last night, virtually ensuring the treaty will go into effect worldwide.

After a lobbying blitz by President Clinton, the Senate voted 76-24 to approve the General Agreement on Tariffs and Trade treaty in what supporters said was a test of U.S. willingness to lead the post-Cold War world economy.

Flanked by Democratic and Republican congressional leaders after the vote, an elated Mr. Clinton said at a White House South Lawn ceremony, "This vote shows once again that our country is moving in the right direction, reaching out to the rest of the world and looking at the best interests of our own people."

While the Clinton administration touted the deal as providing a $1,700 annual income boost for every family in America, consumers and contractors warned that the pact's tariff cuts — on drugs, toys and beer — will be a boon to U.S. exporters and customers and result in increased sales in the United States and abroad.

The accord also is popular with agricultural business groups, the National Association of Manufacturers, the Business Roundtable and the Business Roundtable.

"The bottom line is we just can't isolate ourselves from the rest of the world," Mr. Dole said. "We have to have a big 'Open for Business' sign all around America."

GATT backers had warned that a U.S. thumbs-down on the treaty would cause chaos in financial markets and raise international trade tensions.

"Rejection of this agreement would be a signal of American weakness," warned retiring Senate Majority Leader George Mitchell, Maine Democrat.

Minutes before the final vote, the House on Tuesday approved the pact by a nearly 2-1 margin, with both Democrats and Republicans voting heavily in favor.

Fierce debate over the merits of the 124-nation agreement created an unusual coalition of conservatives and liberals opposing the pact, ranging from Sen. Jesse Helms, North Carolina Republican, and columnist Pat Buchanan on the right to the Rev. Jesse Jackson and consumer activist Ralph Nader on the left.

Senate Minority Leader Bob Dole, Kansas Republican and the target of an intense anti-GATT campaign in his home state, said the pact would benefit the United States as the world's biggest exporter.

"The line we have just crossed is an important one," Mr. Dole said. "It has been a long time between a strongly pro-GATT presidential campaign and a Senate vote."

Many of the tariff cuts — on goods ranging from steel, furniture and construction equipment to drugs, toys and beer — will be phased in over several years, with prices on consumer goods.

Those benefits will in tum result in increased sales for American computer companies, farmers, paper producers and dozens of other industries, GATT supporters argued.

"I don't think it's any exaggeration to say America's prosperity depends on our vote," said Sen. Bill Bradley, New Jersey Democrat.

Sen. Christopher S. Bond, Missouri Republican, said tougher trade rules incorporated under the pact's proposed World Trade Organization will be a boon to American companies trying to break down trade barriers.

"It's time we had a stick rather than a wet noodle in enforcing these agreements," he said.

The agreement lowers tariffs and other trade barriers around the world and extends international trading rules to cover areas such as agriculture, services and intellectual property, including patents, copyrights and software.

But Senate critics contended that the agreement is a bad deal for a number of key U.S. industries, that U.S. wages will suffer, and that U.S. health, safety and environmental protections could be undermined by the powerful new WTO.

"Anybody who believes this agreement is going to open up markets in Japan, in Thailand, in Malaysia is just whistling Dixie," said Sen. Ernest F. Hollings, South Carolina Democrat and leader of the Senate's anti-GATT forces.

"It's time to wake up."

Sen. Robert C. Byrd, West Virginia Democrat, said GATT will increase the federal budget deficit and the WTO will infringe on U.S. sovereignty.

"This is a 'Mrs. Doubtfire' trade agreement," said Mr. Byrd, referring to the popular movie in which star Robin Williams spent much of his time dressed as a woman.

"What you see here is not necessarily what you get," he said.

It was a badly needed political victory for Mr. Clinton, with aids continually noting that a GATT success would serve as a good omen for the Democratic administration's ability to deal with the incoming Republican-controlled Congress.

The accord also is popular with most of corporate America, which lobbied fiercely for the bill. The U.S. Chamber of Commerce, the National Association of Manufacturers, the Business Roundtable and a coalition of more than 300 "business groups" hailed last night's vote.

Allen Jacobson, chairman of the U.S. Council for International Business, called the vote the most important for the country on trade in 60 years, adding, "The way is now open to bring the world economy into the 21st century in the assurance that the United States will be a major force for open and fair trade."

But labor groups and environmentalists condemned the pact, which they say sacrifices their concerns on the altar of free-trade theory.

GATT is "ecologically ignorant and economically shortsighted," said Randall Hayes, executive director of the San Francisco-based Rainforest Action Network.

"There are no jobs for workers killed by weakened safety regulations. And there are no jobs at all on a dead planet."
Clinton seeks $25 billion boost in defense spending

President Clinton announced yesterday that he will propose $25 billion in additional defense spending over the next six years. The declaration clearly was timed to help his political standing as well as bolster the military.

The announcement marked the president's first significant policy shift in response to his party's devastating election losses Nov. 8, when Democrats lost control of both the House and the Senate.

Mr. Clinton's budget office acknowledged a gap but pegged it at $150 billion, while the General Accounting Office reported that the department's five-year plan for defense reductions compared with the Bush plan.

The money will be targeted for training, equipment, maintenance and improved housing for the troops and their families — all of which lead to better fighting units.

Republicans quickly pounced on the Clinton announcement as an admission that he has mishandled the military.

Polls show white male voters deserting the Democrats, and party strategists have urged the president to temper his liberal image. The White House hopes yesterday's announcement moves Mr. Clinton toward the political center, see DEFENSE, page A6.

DEFENSE

From page A1

while launching a pre-emptive strike against the GOP which is expected to seek an increase in defense spending when the new Congress convenes Jan. 4.

Flanked by his top military advisers in the White House Rose Garden, Mr. Clinton rejected the notion that his new funding is an admission that he has cut the military too deeply.

"We have seen the military, frankly, have to deal with an amazing number and variety of unanticipated challenges," the president said, referring to the overseas operations of the recent years. "They have done so with great skill, but now they need the support that I think we ought to give them."

Besides the $25 billion, Mr. Clinton asked Congress to enact an emergency $2.3 billion appropriation early next year that, in effect, pays the Pentagon back for money used this year for unexpected overseas missions.

Appearing with Mr. Clinton at the White House were Defense Secretaries William Perry, Gen. John Shalikashvili, chairman of the Joint Chiefs of Staff, and the

MILITARY MONEY

President Clinton has added $25 billion to the Defense Department's budget to ease post-Cold War spending reductions. The chart below shows the amount of Pentagon spending from 1985 to 1999.

<table>
<thead>
<tr>
<th>Year</th>
<th>Spending (in billions)</th>
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President Clinton's first budget: Projected Source: Defense Budget Project

by saying we needed to spend more on defense, and now they're promising to spend more on defense. "We have said all along we were going to spend more than Clinton," Mr. Kasich said. "I just don't want to get more specific than that."

Sen. Strom Thurmond, South Carolina Republican and incoming chairman of the Senate Armed Services Committee, said the increase "confirms the warning my colleagues and I have been sending all year. This administration has cut defense too far, too fast, and it has required the armed forces to do too much with too little."

Mr. Thurmond said the $25 billion increase is not enough, but he did not specify how much more money is justified.
Hubbell to plead guilty to two felonies

By Jerry Seper

A source close to the investigation said Mr. Hubbell, a former law partner of Hillary Rodham Clinton, has accepted charges of mail fraud and tax evasion, according to the Associated Press.

The maximum penalties for mail fraud are five years in prison and a $200,000 fine for each instance of fraud. The same penalties apply for mail fraud.

A conviction of Mr. Hubbell, a close political confidant of the president, would be the first conviction in the Whitewater probe. Other indictments are expected soon.

Mr. Starr had been investigating whether Hubbell helped bil]ed clients, including the Federal Deposit Insurance Corp. (FDIC), and a senior partner at the Rose Law Firm in Little Rock. A spokeswoman for Mr. Starr saw HUBBELL, page A14

HUBBELL'S WOES

A chronology of former Associate Attorney General Webster L. Hubbell's troubles.

February 1993: While serving a temporary 120-day appointment with no title at the Justice Department, Mr. Hubbell is accused of intervening in the re-election of Rep. Harold Ford, Tennessee Democrat, reversing the department's position on a jury-selection issue.

April 1: Attorney General Janet Reno announces the selection of Mr. Hubbell as associate attorney general, calling him "one of the great men in America." 

April 18: On the day of the government's tear-gas assault on the Whitewater David compound near Waco, Texas, Miss Reno says that Mr. Hubbell, and not she, was in communication with President Clinton about the assault.

May 18: Mr. Hubbell tells the Senate Judiciary Committee that he resigned his membership from the exclusive Country Club of Little Rock because it allowed only one black member to join during his 15-year membership.

May 18: The Washington Times reports that over a 90-day period in 1983, Mr. Hubbell made a $3,500 profit from a $9,100 investment in the stock of Arkansas-Louisiana Gas Co., a firm whose president was Thomas F. "Mack" McLarty, then the White House chief of staff.

Sept. 28: The Washington Times reports that Mr. Hubbell helped engineer a nursing home deal that Iowa authorities criticized as a profit-seeking scheme.

March 4, 1984: The Washington Post reports that the Rose Law Firm has been investigating whether Mr. Hubbell overbilled clients and then used the money for personal expenses. Mr. Hubbell confirmed that his former partners questioned the law firm's profitability, but he denied ever overbilling any clients.

March 5: The Washington Times reports that Mr. Hubbell billed lawyers more than $50,000 in legal services on a Madison Guaranty Savings and Loan Association matter during one 20-day period in August 1989, despite his contention that he had only "indirect" involvement in the case.

March 13: The Washington Times reports that Mr. Hubbell's former partners at the Rose Law Firm are considering ethics charges against him after an internal probe found that he failed to document hundreds of dollars in expenses billed to clients.

March 14: Citing "distractions," Mr. Hubbell resigns as associate attorney general.

Nov. 24: The Los Angeles Times reports that while Whitewater independent counsel Kenneth W. Starr is investigating Mr. Hubbell over allegations of financial irregularities, the former associate attorney general is "flying under the radar" of the FBI.

Yesterday: The Washington Times reports that an indictment against Mr. Hubbell is imminent, adding that grand juries in Little Rock are considering charges he billed the Rose Law Firm for as much as $100,000 in personal expenses, some of which was charged back to taxpayers more than $20,000 for work on a Madison Guaranty Savings and Loan Association matter.

Yesterday: Mr. Hubbell agrees to plead guilty to felony counts of tax evasion, mail fraud...
No trial over health task force

By Paul Bedard
THE WASHINGTON TIMES

The White House will face sanctions for "misconduct" in a lawsuit against its secret health care re-form task force but will avoid a civil trial, a federal judge ruled yesterday.

Both sides in the drawn-out case against first lady Hillary Rodham Clinton's task force predicted the court will demand the White House pay the $300,000 legal tab accumulated by the doctors group that filed the suit.

Under that scenario, the bill for punishing the White House would be passed to taxpayers.

In a sternly worded order, U.S. District Judge Royce C. Lambeth refused to put the suit aside until the White House releases more task-force-related documents, "It is now clear that there are ... documents which should have been produced which have not been produced."

see HEALTH, page A12

White House cited for 'misconduct'

Judge Lambeth demanded that the White House release the computerized files of the task force and the working group.

Once that is done, he said, the case will be "moot" and there will be no need for a trial, which was set to begin Dec. 14. The reason: Virtually all the papers detailing the actions of the 630-member working group and sought by the doctors group have been made public.

In the latest turn in the 21-month-old suit aimed at making public all decisions of the public-private health-care group, Judge Lambeth expressed unusual frustration with the White House and the Justice Department team defending Mrs. Clinton at taxpayer expense.

His attack on the "defendants' misconduct" and his pledge to punish them were the latest flashes of the anger Judge Lambeth has vented at the White House and its lawyers since early May, when the Association of American Physicians and Surgeons Inc. (AAPS) filed the suit.

Lambeth and attorneys for the 5,000-member AAPS have often accused the White House legal team of improperly changing its stories and trying to hide task force membership and documents from public view.

Such actions would violate the Federal Advisory Committee Act, which requires that presidential task forces not "solely" composed of government workers meet in public and reveal all documents.

Mrs. Clinton's task force met in public once. The working group, which prepared the health bill, held no public meetings despite having hundreds of outsiders involved, many getting government consulting fees and expense accounts.

"The court understands plaintiffs' frustration with the defendants' misconduct during the course of this litigation, and the court intends to impose sanctions," Judge Lambeth wrote in a seven-page memo released yesterday.

A federal legal expert said the sanctions under consideration range from forcing the administration to pay the $300,000 legal bill accumulated by the doctors group to punishing the lawyers to holding health care adviser Ira Magaziner in contempt of court for his misstatements about the composition of the working group.

"This is truly an unusual circumstance and is evidence of the defendant's misconduct," said Jed L. Babbin, a Washington lawyer and former deputy undersecretary of defense.

The case has drawn the attention of the leadership of the incoming Republican majority in the House.

Members of the House Appropriations Committee have ordered a General Accounting Office review of the spending by the task force and plan hearings on the actions taken by Mrs. Clinton's group.

"It's a parallel in the misconduct that the court found ... and the misconduct before our committee by the administration," said Rep. Ernest Jim Istook, Oklahoma Republican. "We want to look into this.

The Justice Department has used up eight lawyers to defend Mrs. Clinton and recently replaced the lead attorney. During the last two court hearings, John Rogovin, deputy assistant attorney general and head of the federal programs branch of the civil division, has tagged along and acted as spokesman for the legal team.

Mr. Rogovin yesterday expressed satisfaction with the judge's memo, noting that the court has denied virtually all efforts by the doctors group to stop Judge Lambeth from declaring the case moot.

"We were pleased. The court obviously agreed with our position," he said.

Asked whether the Justice Department thinks Judge Lambeth's charges of misconduct were directed at the White House, Mr. Rogovin said the Justice Department was aimed in part at the legal team and would lead the judge to force the government to pay the legal fees of the AAPS.

He hailed the judge's decision not to force the White House to make public its budget for the health care task force and working group, a tab estimated at $4 million.

Mr. Istook said the House Appropriations Committee will call hearings to review task force spending.

"It's a very fair order. He's not going to let them off the hook yet," said Miami lawyer Thomas R. Spencer Jr., who represents the doctors group.

Under the judge's order, the case will not be dismissed until the White House asks all 630 members of the working group to turn over all task-force-related documents, even those dated after the official May 31, 1993, end of the task force and its working group.
Passport-file probe comes up empty

By Michael Hedges

A probe into charges that State Department officials in the Bush administration illegally searched candidate Bill Clinton's passport file has ended with a finding that no laws were broken.

The case, which Democrats used to political advantage in the late hours of the 1992 presidential campaign, "probably should never have reached the level of a special prosecution," investigators concluded, according to sources.

"We have ended the investigation and are bringing no charges in the passport matter," said Joseph diGenova, an independent counsel appointed in December 1992 to investigate the accusation.

"It will determine whether to release it," the independent counsel said.

During the late days of the 1992 presidential campaign, Mr. Clinton and running mate Al Gore pushed the issue hard, portraying it as an example of Bush administration abuses of power.

Mr. Clinton said two weeks before the election that Bush appointees were "not only rifling through my files, but investigating, my mother. ... It would be funny if it's not so pathetic."

Mr. Gore accused the Bush administration of using "despicable smear tactics" and demanded an apology to both Mr. Clinton and his mother. "President Bush has once again turned to the hateful, dangerous tactics of Joe McCarthy," he said.

Soon after his election, Mr. Clinton promised to end "State Department abuses" and said he would fire anyone doing the same in his administration, "the next day."

But on Sept. 1, 1993, anonymous Clinton State Department officials were quoted in The Washington Post describing information in the files of former Bush appointees, including Elizabeth Tamposi, who had been fired after the search of Mr. Clinton's files, and Jennifer Fitzgerald, who reportedly had been romantically linked to Mr. Bush.

Two Clinton administration officials who had worked on the Clinton-Gore campaign were fired months later for this breach, but Mr. Funk did not refer their case to the Justice Department for possible criminal charges.

Yesterday, Mr. Funk defended his actions. "We had no choice in the matter, the Inspector General Act required us to push forward," he said. "These were vague accusations. I didn't think anyone should be prosecuted then."

As to the referral to the Justice Department naming then-State Department official Janet Mullins, he said, "that was not a recommendation, it was simply a referral."

The case began late in the campaign when rumors surfaced that while Clinton was a student in England he had sought information on how to renounce his U.S. citizenship.

The charges led to an investigation by the State Department's Inspector General's Office. After a brief probe, Mr. Funk announced that his investigation had concluded that Bush appointees had expedited the passport file search for political motives.

Mr. Funk issued a report criticizing Elizabeth Tamposi, the assistant secretary of state for consular affairs, who was then fired; Miss Mullins, who had resigned as the State Department's legislative liaison to be a White House aide; and Steven K. Berry, her successor, who was demoted.

The case then was referred by Mr. Funk to the Justice Department for possible prosecution. Attorney General William Barr requested an independent counsel.

Miss Mullins could not be reached yesterday for comment.

Mr. Berry has sued Mr. Funk and former State Department officials for $3 million in damages, saying they damaged his reputation and illegally monitored his telephone calls. He also could not be reached for comment yesterday.
Serbs

From page A1

continue to press their offensive against the besieged area.

In Brussels, Secretary of State Warren Christopher acknowledged the United States and its allies had mismeasured the war in Bosnia. He said they all had lessons to learn from the debacle.

As the NATO foreign ministers moved to expand the alliance to countries in central and eastern Europe, Mr. Christopher found himself cast in the embarrassing role of explaining the Clinton administration's decision to forgo force in favor of diplomacy to try to rein in the Serbs.

"All of us ought to try to learn lessons from the experience in Bosnia," he told reporters while trying to focus their attention on NATO's future rather than the faltering attempt to quiet the conflict in the former Yugoslav republic.

Lt. Col. Joe Cato, spokesman for NATO's European military headquarters in Casteau, Belgium, said Germany has been asked to "provide some combat aircraft to support NATO air operations over parts of former Yugoslavia," the Associated Press reported from Bonn.

Such a mission could involve the German military in combat for the first time since World War II. Defense Minister Volker Ruehe said Germany has been asked to "provide some combat aircraft to support NATO air operations over parts of former Yugoslavia," the Associated Press reported from Bonn. Germany must accept the mission, but Foreign Minister Klaus Kinkel raised doubts.

It will be a difficult decision for Chancellor Helmut Kohl, who has avoided involvement in Bosnia-Herzegovina because of the history of Nazi atrocities in the former Yugoslavia and anti-German sentiment among Serbs.

NATO requested German Toros planes equipped with electronic gear that can locate and identify radar sites and rockets designed to destroy such sites, a German defense official said, speaking on the condition of anonymity.

The observation post from which the Ukrainian peacekeepers were seized is now occupied by the Serbs, which allows them unimpeded movement of equipment and personnel from Serbian-held Croatia into Bosnia. Serbian fighters from the two countries have joined in an offensive to drive Muslim-led Bosnian government forces out of the Bihac region of northwest Bosnia.

The lure for the Serbs is an opportunity to press their demand for cross-border political ties to Serbia.

Continuing the squeeze on the Bosnian government, Serbs again denied U.N. requests to supply the Bihac enclave with food and supplies.

Monique Tiffelli, the U.N. High Commissioner for Refugees, said food stocks would last only another week. The last UNHCR food convoy reached Bihac on Oct. 1.

This article is based in part on wire service reports.
Allen proposes $2 billion tax cut
Citing shortfall, critics ask ‘How?’

By Janet Naylor

Virginia Gov. George F. Allen yesterday unveiled a $2.1 billion tax-cut plan that he said would put money back into families’ pockets, encourage business growth and help keep low-income workers off welfare rolls.

The cuts include reducing the state income tax burden over five years by tripling the personal exemption from $800 to $2,400 — a move that benefits families with dependents, as well as seniors and the blind.

Mr. Allen also proposed eliminating income taxes for an estimated 4,000 of the state’s poorest working families to help keep them from falling into the welfare system.

The governor also proposed eliminating the “business, professional and occupational license” tax — gross receipts tax imposed by 52 counties and all 41 cities around the state. He said the loss to local governments would be made up by state subsidies.

The Republican governor said he will seek approval of the entire five-year plan when the General Assembly convenes in January. The plan is expected to pass in beginning next year.

Mr. Allen also announced an immediate hiring freeze for state employees except in critical areas such as health and public safety.

Under the tax plan, by 1999, a married couple with two children and $24,000 in federal adjusted gross income and $17,000 in itemized deductions would get a $313 tax cut, or 48.5 percent.

A married couple with two children and $40,000 in federal adjusted gross income who took the standard deduction would get a $336 tax cut, or 67 percent.

A couple with two children would pay no tax on the first $14,600 of income, up from $8,200. As many as 64,000 Virginians would no longer pay income taxes after the plan’s full implementation.

The governor also proposed cutting the $2 billion in 1995, $1,200 in 1996, $1,600 in 1997, $2,000 in 1998 and $2,400 in 1999.

A single parent with two children and $15,000 in federal adjusted gross income who took the standard deduction would get a $236 tax cut, or 48.5 percent.

A married couple with two children, $40,000 in federal adjusted gross income and $17,000 in itemized deductions would get a $313 tax cut, or 48.5 percent.

And a married couple with two children, $100,000 in federal adjusted gross income and $37,000 in itemized deductions would get a tax cut of $313, or 7 percent.

But Democratic lawmakers and labor leaders warned that business would benefit more than families that are the engines of growth and job creation.

Mr. Allen said at a news conference in Richmond, “As long as he has a responsible plan to pay for them, I think they’ll sail through the General Assembly with bipartisan support,” said Lt. Gov. Doug Biley, a Democrat.

“Generally his assessment is that business, working families with children and to businesses, especially small businesses that are the engines of growth and job creation,” Mr. Allen said at a news conference in Richmond.

The news spread around the commonwealth, skeptics and those dependent on state revenues around the governor’s plan and urged their Democratic colleagues to heed what voters want.

“I put pressure on us, but that’s why we elected a Democrat,” said Dr. Donald Nejad, a Hampton Democrat, said the tax cuts would compound the state’s shortfall problem.

“This was a total surprise. We have never been confronted with cuts of this nature,” Mr. Andrews said at a committee meeting in Blacksburg to discuss the budget.

Most agency budgets have been reduced about 30 percent since fiscal 1991.

Others predicted that further cuts would eventually do more harm than the tax savings would be worth.

“Generally his assessment is probably right of the general attitude of the citizens of the state. However, when it gets in their back yard they may rethink it,” said Joan Dent, executive director of the Virginia Governmental Employees Association.

“The business community has called the package a political ploy and government retirees who have been illegally taxed.

“GeneraUy his assessment is that business, working families with children and to businesses, especially small businesses that are the engines of growth and job creation,” Mr. Allen said at a news conference in Richmond.

Business groups, echoing comments from Mr. Allen’s proposals to freeze hiring and offer incentives for voluntary departures for state workers would be “peanuts. . . . The hiring freeze sounds wonderful. But how do you have a hiring freeze if you’re building more prisons.”

Democratic Party leaders called the package a political ploy engineered by Mr. Allen to help Republicans get elected next year. The legislature is narrowly controlled by Democrats.

“This is a full-scale war on the people. That’s their game plan. That’s what he wants to do,” he said.

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Tokyo looks forward to trade treaty

By Willis Witter
THE WASHINGTON TIMES

TOKYO — When it comes to a new world order on trade, Japan's wish is Washington's nightmare. Even an uncanny appearance of legions of Japanese negotiators in Washington and Tokyo moved this week to approve a new global trade organization.

President Clinton and Mr. Deutch recently met in Geneva to formally set a date to launch the WTO, a key committee in Japan's parliament did likewise.

The committee in the powerful lower house of Japan's parliament approved the trade pact along with a package of seven other bills designed to protect Japanese farmers from the effects of global competition.

One measure calls for the government to spend $60 billion over the next six years to subsidize farmers' income.

The trade pact requires Japan to open its long-protected rice market next year, letting in imports of 4 percent to 8 percent of domestic production. The percentage would rise to 8 percent by the year 2000.

The entire lower house of Japan's Diet is expected to approve the entire package, and took up the issue just hours after the U.S. Senate voted 76-24 last night to approve the historic agreement. The House of Representatives approved the deal on Tuesday.

"We've always been assured by the Japanese government that they will be with us should the issue come to a showdown on GATT and they're doing their part," said one U.S. official.

But sources yesterday stood firm that the United States and Japan have the world's two largest economies, their backing is considered crucial to make the new organization successful.

Japanese government wants the package approved by Dec. 8, when officials from the countries involved in the accord are to meet in Geneva and formally set a date to launch the WTO.

The pact would cut tariffs by 38 percent worldwide, liberalize trade in new areas such as agriculture and, according to White House estimates, amount to a $744 billion global tax cut.

Despite Japan's reputation for having the most protected economy in the industrial world, it publicly advocates free trade. Japan backed last month's resolution at the 18-nation Asia Pacific Economic Cooperation forum in Indonesia to eliminate trade barriers over the next 25 years.

The Japanese delegation, led by Prime Minister Tomiichi Murayama, pledged to take concrete steps to implement the free-trade resolution at next year's APEC summit, to be held in Japan.

But Japan maintains the largest trade surplus in the world as well as a $60 billion surplus with the United States, a source of chronic tension between the two nations.

Base-closing panel pressured

Pentagon No. 2 tries to alter commission staff decision

By Rowan Scarborough
THE WASHINGTON TIMES

Deputy Defense Secretary John Deutch pressured the new chairman of the independent base-closure commission to discard the chairman's choice for staff director, according to congressional and Pentagon officials.

Mr. Deutch's forceful pitch during a meeting with Mr. Ford, former Democratic Sen. Alan Dixon, raises the question of whether the Pentagon is trying to pack the high-ranking official improperly interested in the workings of a commission supposedly insulated from Defense Department interference.

"The independence of the commission is now in question," said a Senate Republican aide who asked not to be identified."I told him that the DOD is trying to pack the commission, and he is hooking them up with a political process. They have crossed the line in interfering in commission business."

In a telephone interview yesterday, Mr. Dixon said he met with Mr. Deutch shortly after the Senate confirmed him Oct. 9. But Mr. Dixon, a St. Louis lawyer whom President Clinton personally picked as chairman of the panel, defended Mr. Smith said, "I do not talk about personnel actions in executive sessions when I work with Mr. Smith, sources familiar with the meeting said.

Mr. Dixon refused to accept either of Mr. Deutch's candidates but decided to make Mr. Smith his executive assistant instead of staff director. He hired David Lyles, a member of the Senate Armed Services Committee staff, as staff director.

Mr. Deutch's Pressure

Ito choose one of two other candidates for staff director. The Pentagon likely would not work with Mr. Smith, sources familiar with the meeting said.

 Asked this week whether Mr. Deutch had blocked his appointment, Mr. Smith said, "I do not talk about personnel actions in executive sessions when I work with Mr. Smith, sources familiar with the meeting said.

Mr. Dixon's spokesman at the commission, Wade Nelson, declined to comment on the meeting.

Mr. Dixon's spokesman at the commission, Wade Nelson, declined to comment on the meeting.

Mr. Deutch's pressure. He said that from the start he wanted Mr. Smith as executive assistant and Mr. Lyles as staff director.

"I'm very happy with my staff,

I have exactly who I wanted," Mr. Dixon said.

"Why do you set up an independent commission?" the Senate aide said. "You set it up because you want to make it independent and insulate it from the department. The Deutch interference is an expression of that issue. Is it illegal? It's not illegal."

Pentagon sources said Mr. Deutch is facing a choice in formulating the list of bases targeted for closing, scheduled to be submitted to Congress in March. He thus would have a stake in having someone loyal to him heading the panel's staff.

Congress designed the commission in 1988 to insulate the eight members from politics and pressure from Congress, the Pentagon and the White House.

The eight commissioners, in effect, have the final say on base closings because they have the power to add or subtract bases from the Pentagon's list before giving it to Congress. Congress may or may not accept the list as presented or reject it.

A base shutdown brings economic hardship to the surrounding community and can affect congressional races and even a presidential campaign. At least some public officials suspect that the Pentagon will submit a list tailored to help the Republicans in the 1996 election.

These senators noted that Deputy Secretary William Perry has said Congress must reauthorize the commission in 1997 for bases not targeted by the 1995 closings.

Sources said Mr. Deutch and other Pentagon officials did not want Mr. Smith as staff director because he had played a role in the move by Sen. Wendell H. Ford, Kentucky Democrat, to put a temporary hold on the nomination of Rudy de Leon as Air Force undersecretary.

Mr. Smith went to work for Mr. Ford after Mr. Dixon failed to win re-election in 1992.

The Air Force wanted to reduce the number of C-130 aircraft assigned to an Air National Guard unit in Louisville, Ky. Mr. Ford showed his displeasure by delay ing the vote on Mr. de Leon, congressional sources said.

Also, Mr. Smith often confronted the Pentagon on budget issues when he worked with Mr. Dixon, who was a member of the Armed Services Committee.
A Democrat wins on the Hill
Michigan's Barcia gets top pick in office lottery

By Laurie Kellman and Major Garrett

The Washington Times

House Republicans yesterday wooed 2,700 House employees — including the outgoing chairman of the Congressional Black Caucus, in an effort to persuade the Maryland Democrat to consider joining the new majority.

"The message from the Republicans is, 'You'll get more respect over here,'" said a Democratic source close to the situation. "'He is not ruling it out.'"

After 10 a.m., the fourth-floor Longworth Building office of Rep. John S. Tinner, Trenton Democrat, who had gotten new assignments.

A second source, an Mfume ally who also requested anonymity, said the congressman's defeat left him disappointed with the chances of landing Mr. Mfume and that a senior member of House GOP leadership will follow up on the initial contacts today.

"The boss liked the way it looked the progressive director Dave Ramey," said Calvert legislator Dave Ramey.

For the Barcia staff, it was all over about 12:30 p.m., 20 minutes after Mr. Szemraj picked the winning number.

"We would welcome anyone to the Republican Party who was interested in improving the conditions in urban America," Mr. Blankley said. "On an ongoing basis we're going to save money."
Senate leadership races heighten party friction

By J. Jennings Moss

The races for leadership slots in the Senate Republican and Democratic caucuses will end today, but only after a week in which internal tensions rose over the jockeying for votes.

The new majority Republicans will be choosing someone to be their whip and No. 2 leader. Sen. Alan K. Simpson of Wyoming is fighting to keep his job from Sen. Trent Lott of Mississippi in a race looked at in some ways as the first skirmish in the presidential fight between Sen. Bob Dole of Kansas and Sen. Phil Gramm of Texas.

Democrats will pick a new party leader, either Sen. Tom Daschle of South Dakota or Sen. Christopher J. Dodd of Connecticut. The race largely had been civil, but one Democratic senator said that "in the past 96 hours, it's turned ugly."

The outcome of both races will help decide the Senate's tone for the next Congress.

"I'm worried that just when we get to control the ball game here, our chance to succeed could be damaged by an effective dog fight between Dole and Gramm," said a Republican senator who is backing Mr. Lott.

On the Democratic side, Mr. Daschle has said he has the public support of 24 senators, the necessary majority to win the race. But Mr. Dodd yesterday said the race was still "winnable" and noted that if he did not think a win was possible, he would have gotten out.

Mr. Daschle, who currently is vice chairman of the Democratic Policy Committee, has been running for months and has said the biggest problem facing Democrats concerns their communications strategy. Mr. Dodd, who got into the race after Election Day, said how Democrats talk about their message is a problem as is the message itself.

But the race has gotten nastier in recent days, a Democratic senator said. The senator, who is backing Mr. Daschle and who asked for anonymity, said senators backing Mr. Dodd had been aggressively running against Mr. Daschle and some had been raising questions about recent reports in the New York Times.

The reports said Mr. Daschle's office intervened with federal aviation inspectors who warned that an air charter company, which was owned by a Daschle friend, was unsafe. Mr. Daschle has denied any improper behavior.

At least one Democrat, Sen. Dianne Feinstein of California, concerned about her spot on the Appropriations Committee, was convinced that she should vote for Mr. Dodd even though she previously had indicated her support for Mr. Daschle, a Democratic senator said.

"Politics is about power and flexing muscles, but what's happening is the battle is being drawn between politics and institutional change," the senator said.

In other Senate news yesterday:

• Mr. Gramm proposed to some of his colleagues that the legislative branch needs to make "some dramatic changes," said a Gramm aide. One suggestion is to reduce the General Accounting Office by as much as 50 percent.

• Senate Majority Leader George J. Mitchell of Maine, who is retiring, effectively ended his control of the body with the debate on the General Agreement on Tariffs and Trade.

"I made a commitment 12 years ago to myself, a personal decision that I would not attempt to make this a lifetime position, that I would serve for a limited time and I'm honoring that commitment. And I believe it's the right thing to do," Mr. Mitchell told reporters.
FAA reorganization is causing concern
Safety issues could be lost in shuffle

By Ruth Larson

Federal Aviation Administration employees have raised concerns that a reorganization announced this week to improve aviation safety may instead generate such uncertainty that safety issues may be compromised.

FAA Administrator David R. Hinson announced Wednesday he is restructuring his agency to create a more businesslike operation with improved accountability. A highlight of the reorganization is creation of a new system safety office that would report directly to Mr. Hinson — a sort of "early warning system" to identify potential aviation safety hazards.

Projecting safety trends has previously been handled by the FAA's aviation safety office, which uses sophisticated computer systems to evaluate aviation data, including accident records, to detect patterns or problems.

With the reorganization, the office has been temporarily placed under an associate administrator for research and acquisitions. But employees have been told the office may be phased out in 12 to 18 months, and that they cannot be assured their safety functions will be transferred to the new system safety office.

Employee uncertainty stems from the fact that no one knows which aviation safety functions will be transferred. That decision is being left up to the new system safety office, who is not expected to be named until next spring.

"The system safety office is an empty box — no one's there, and no one knows who's handling safety right now," one FAA employee said.

FAA Deputy Administrator Linda H. Daschle denied that any safety oversight functions would be eliminated.

"The Office of Aviation Safety is still doing its job, and we expect it to continue under the acquisition and research function," she said.

Mrs. Daschle said she and Mr. Hinson thought it appropriate to conduct a nationwide search for the most highly qualified system safety officer, and then let that individual assess what functions were needed in the safety office.

"Aviation Safety collects data and advises us of hazards, and it will absolutely stay in existence. We are simply not yet sure which functions will be moved to the system safety office," Mrs. Daschle said.

But an FAA employee said, "The feeling here is that the clock is ticking, and that we're on our way out. It's all being driven by who they pick for system safety, so we have to try to do our jobs with this sword of Damocles hanging over us."

Other changes in the FAA lineup include creation of a deputy administrator for diversity position.

"No one knows who's handling safety right now," one FAA employee said.
Croats have a big stake in preventing fall of Bihac

By Catherine Toups
THE WASHINGTON TIMES

ZAGREB, Croatia — While Western diplomats assess the implications for the Bosnian Muslims of the Serbian assault on the town of Bihac, some are saying the loss of the Bihac pocket is even more critical for neighboring Croatia.

The imminent seizure of the town of Bihac by Serbian forces, said one European diplomat this week, is a perfect road map for the linking of two wars: the Bosnian Serbs' war to take over a majority of Bosnia, and the Croatian Serbs' war to establish an independent state of Krajina on land that has been part of Croatia for centuries.

Croatia has stayed out of the Bosnian war for the past couple of years on the advice of its Western allies, who have repeatedly urged restraint.

Croatia has been advised to trust the United Nations to find a political solution and in the meantime to allow the U.N. peacekeeping force act as buffers in the Krajina, a crescent-shaped swath of Croatia surrounding the Bihac pocket that is now under Serbian control.

Trust or not, Croatian Defense Minister Gojko Susak said yesterday that Croatia will go to war before it allows Bihac to fall.

Attacks and air strikes by Croatian Serbs from Krajina were instrumental in allowing the Bosnian Serbs to press their current counteroffensive against the Bosnian Muslims in the Bihac region.

The West's rationale, sources say, is that Croatia's entry into the Bosnian conflict could spark a "wider war" that would draw in Serbia and could further damage relations between the West and Russia, a longtime Serbian ally.

Last week, when Bihac first appeared in serious danger, Western diplomats stuck with the same advice.

Privately, however, officials talked among themselves about the policy, fearing that it was a mistake that had put Croatia in a terrible position. Diplomats here refused to speak candidly on the subject for attribution.

Despite declarations from Zagreb that Croatia will never permit the Bihac takeover, many political and military observers argue that Croatia has no intention of going to war. It would risk the loss of lives, property and clout with its Western friends while becoming involved in a potentially protracted conflict.

Although recent troop movements have been detected in Croatia, sources this week said nothing has occurred to indicate Croatia is primed to send in troops to bail out Bihac. That view was reinforced when Croatian President Franjo Tudjman and his top advisers flew to South America this week on a long-planned trip.

If Bihac falls, what will remain is a compact western Serbian state abutting Krajina, making it more difficult than ever for Croatia to recover the rebel territory.

The only road link between northern Croatia and its Dalmatian coast is through Bihac and port income — crosses a pontoon bridge that is subject to shelling by surrounding Serbs.

And Serbs have long had their eye on the port city of Zadar, though the most knowledgeable observers of the war say they doubt the Serbs would ever capture Zadar.

Nevertheless, the implications for Croatia of the loss of the Bihac pocket are grim.

The Krajina Serbs, who have remained independent of the Bosnian Serbs but have ties with Serbian President Slobodan Milosevic, now appear to be linked militarily. A U.S. official said the Serbian military appears to have been the main employer in Krajina, economically depressed in the best of times.

The linkage with the Bosnian Serbs, led by Radovan Karadzic, establishes a military consolidation that benefits the Serbs in Bosnia.

GATT still under gun in several other countries

By David R. Sands
THE WASHINGTON TIMES

Much as nearly everyone might wish otherwise, yesterday's Senate vote doesn't mean the world is done with GATT.

Even with U.S. ratification assured, the global trade deal and the proposed World Trade Organization still require a lot of work before either bears fruit.

For starters, many of the world's leading trading powers haven't ratified the accord, even though the WTO is supposed to be up and running this year. Many countries put off final approval of the deal while waiting for the U.S. vote.

The Norwegian parliament ratified the trade pact last week, and Japan hopes to have final ratification finished in time for a Dec. 8 organizational meeting of the WTO in Geneva. Major holdouts include France, Brazil and South Korea.

GATT Director-General Peter Sutherland has repeatedly said the organization would be running by the first of the year, provided Congress approved the deal.

GATT officials in Geneva predict that about 90 percent of the 124 GATT nations will be in by the first of the year.

A trickier question involves who will run the new trade watchdog. The United States is backing former Mexican President Carlos Salinas de Gortari, who has Union favors former Italian trade minister Renato Ruggiero, and Japan and a number of Asian GATT members are behind South Korea's trade minister, Kim Chul-su.

An even trickier question is how to handle China, an emerging economic and trade superpower that has been lobbying hard to be a founding WTO member. U.S. officials have been at the forefront in demanding more changes in U.S. laws and regulations.

In order to lock up the vote of Senate Majority Leader Bob Dole, Kansas Republican, the Clinton administration has pledged to take a number of steps next year, including the establishment of a GATT dispute settlement review panel and reassessment of GATT changes in U.S. patent law and telecommunication licenses.

The biggest bit of unfinished business is simply making sure GATT promises are kept, that countries adopt and abide by complicated new rules on government procurement, trade in services, state subsidies for farmers, and other areas.

"These agreements are never finished," U.S. Trade Representative Mickey Kantor said earlier this week. "Given the dynamic nature of the world economy, it's foolish to believe any agreement is going to be perfect or finished."
**Senate debate on GATT:** What They Said

**Texas Republican:**

"It's time we had a stick rather than a wet noodle in enforcing trade agreements. It would close us the walls around other countries.'"

**Wyoming Republican:**

"Open new foreign markets by the 21st century international trade barriers.

**Missouri Republican:**

"America's prosperity depends on its right to trade without our voice in the councils that will shape economic policies. It is the 21st century to shut down our nuclear facilities, faced tough questions from both Democratic and Republican senators at a subcommittee hearing.

**Sen. Bill Bradley, New Jersey Democrat:**

"We compromised on the timing by allowing North Korea five years before it must permit international inspection of its nuclear bomb-making potential.

**Sen. Phil Gramm, Texas Republican:**

"Americans, Yankee traders, are not destroyed by trade, jobs and opportunities for Americans. It was all about trade. America's role in the global economy.

**House Speaker Tom Foley, Washington Democrat:**

"We have a number of concerns about North Korea which will have to be solved on their own, including missing soldiers' remains, ballistic missiles that can reach Japan, exporting missiles to the Middle East, the deployment of 60 percent of its million-man army on the border with South Korea and human rights.

**Sen. John Breaux, Louisiana Democrat:**

"It's a choice between old vs. new. It's a question of whether we build walls around the United States or whether we tear down the walls around other countries.'"

**Sen. Robert Byrd, West Virginia Democrat:**

"Here we are ready to roll over and grant a secret board — anonymous and secret powers to fine U.S. taxpayers if we do not rewrite U.S. law to suit the World Trade Organization.'"

**Sen. Hank Brown, Colorado Republican:**

"Americans, Yankee traders, ought to be able to do better than that. I think it's only fair that the American public should be able to do better than that. I think it's only fair that we have the access to other countries that they have to us.'"

**Sen. Ernest Hollings, South Carolina Democrat:**

"This was not about some new world order. This was about jobs and opportunities for Americans. It was all about trade. America's role in the global economy is that we are in decline. Everybody knows that.'"

**Sen. Robert Dole, Kansas Republican:**

"We are not leading in world trade. We are losing. The reality is that we are in decline. Everybody knows that.'"

**Sen. Phil Gramm, Texas Republican:**

"I am going to take a deep breath and look beyond the outrageous and irresponsible rhetoric of this administration has dealt with GATT. While we can find a lot of reasons to be against it, it is the right thing to do for America.'

"So if your concern is national sovereignty, this agreement is a dramatic improvement over current law.'

"There must be an admission price to market like ours. You can't be hiring children in sweatshops and say that's fair competition.'"

"It is far harder to make bombs with plutonium in spent fuel as well as two new nuclear reactors that were under construction and could have produced large quantities of plutonium. Pyongyang has stopped work on them since the accord was signed."

"Moreover, that these problems had to be dealt with in the near term, particularly since it is a scientific fact that information at the suspected waste sites is not verifiable.'"

"Intelligence estimates suggest North Korea has extracted up to 20 pounds of plutonium, enough to make two or three bombs. But 8,000 spent nuclear fuel rods were moved from a reactor over the summer plus the plutonium from the two new reactors could have produced enough plutonium to make 200 bombs a year.

"Mr. Gallucci said 'a specter has haunted the negotiations — the return to sanctions' if no accord could be reached with the isolated and rigid Stalinist regime in Pyongyang.

"North Korea has said it would shut down construction of the two nuclear power plants, mothballing a plutonium processing factory and leaving their single operational plant idle.

"The United States will begin to live up to its own commitments by promptly allocating several hundred thousand dollars to send experts to clean the water in a 'cooling pond' holding spent fuel rods at risk of breaking down.

"Up to $5 million more will be shifted from Pentagon funds to begin sending heavy fuel oil to North Korea to replace the energy it lost by keeping its nuclear reactor idle.

"Mr. Gallucci said total U.S. expenses for the accord will be in the "tens of millions of dollars.'"
Taiwan strives to be a world player

Roadmap to U.N. is one major goal

By Gus Constantine

The Washington Times

After 23 years of near-invisibility in the political arena, Taiwan is standing up for itself. Unscrupulously bootstrapped out of the United Nations in 1971 and defrocked by most countries — including the United States — Taiwan (KMT), or Nationalist Party, government has recently been waging an assertive new campaign for increased international legitimacy.

The campaign stops well short of redefining Taiwan as a nation separate from China. Both Beijing and Taipei continue to claim that there is only one China and that Taiwan is part of it.

The goal, rather, is to transform "Taipei's limited economic and cultural dealings with states that don't recognize it into official relations. One of the campaign's key objectives includes readmission to the United Nations.

"The people in Taiwan have feelings and don't like the idea of being barred from participation in international activities," Benjamin Lu, Taiwan's new representative in Washington, said in a recent interview.

Some observers say the Kuomintang's new assertiveness is an effort to quiet Taiwan's domestic political scene, where the opposition Democratic Progressive Party (DPP) edges toward open support for independence.

Under several accords between the two, the United States has pledged to maintain Taiwan's defenses and to conduct non-diplomatic relations. At the same time, Beijing and the United States agree the goal of peaceful Chinese unification should be accomplished by peaceful means.

Under these rules, the United States has prohibited official diplomatic contacts with Taiwan. Matters came to a head this spring, when Taiwan President Lee Teng-hui was barred from an overnight stopover in Hawaii while en route to Central America.

Beijing has confirmed it will "advance U.S. national objectives with both Taiwan and the PRC (People's Republic of China)."

On the eve of the Asia Pacific Economic Cooperation summit in Indonesia earlier this month, Chinese President Jiang Zemin added a warning against treating Taiwan as a separate government.

"The slightest movement will touch upon emotions and feelings of the Chinese people," he said.

His spokesman later told reporters China favors peaceful reunification but "will not stand idly by" if Taiwan goes independent.

A Beijing official in the United States who requested anonymity added that "no leader of China could afford to allow a part of China to declare independence."

Meanwhile, China and Taiwan failed to resolve several thorny legal disputes during their latest round of talks.

The rival governments remain at odds over repatriating aircraft hijackers and illegal immigrants and settling fishing disputes, the China Daily newspaper reported yesterday. They did, however, agree to open express mail services.

The five-day talks in the mainland city of Nanjing, which ended Sunday, came only days after Taiwan's troops accidentally shot down because Chinese negotiators were reluctant to honor anything that would imply recognition of Taiwan courts' jurisdiction.

Sixteen Chinese have commandeered planes from China to Taiwan in a dozen hijackings since last year. The hijackers have all received lengthy prison sentences or are still awaiting trial. None has been repatriated.
Democrats for life

When Sen. Howell Heflin, Alabama Democrat, was asked if he's given any thought lately to switching parties, the conservative lawmaker responded: "Looooord no! Born a Democrat, always will be a Democrat!"

Back to business

Have the phones stopped ringing in Sen. Jesse Helms' office after the uproar over the senator's opinion of President Clinton's ability to lead?

"Our phones are still swamped," Helms press secretary Jimmy Broughton said yesterday. "It's all GATT calls!"

The aide added that 80 percent of the mail Mr. Helms received last week "was supportive of the senator, and the letters came from all over the country."

The left dial

Sen. Larry Pressler, South Dakota Republican, said as a guest on the weekly PBS series "Tech-nopolitics" this week: "I have a real problem here because of a lot of things that I see on public television."

Mr. Pressler noted that he voted against funding the Corporation for Public Broadcasting last year "because I have become upset at the political twist that I believe public TV constantly puts on things."

"For example, I was watching this nice baseball series and, God, every night I'd have to listen to Mario Cuomo tell about his boyhood. That's why they all like Mario Cuomo."

Overheard

Senate Republicans were buzzing about Bosnia yesterday. One said there is momentum to push President Clinton to do something concrete about the crisis.

Alsace can you see

In between indicators, a Department of Commerce regular went down to the agency's cafeteria for a cup of coffee yesterday and spotted this sign posted next to the elevator:

"Come celebrate with us 'Alsatian-American Day and a Half' at DOC, Dec. 12th and half of the 13th. Alsatian food, wine and beer on the main entrance steps. Welcome our Alsatian-American co-workers to the ever-diverse DOC workforce. We'll find some important Alsatian-American to speak. Sorry about only a day and a half. We wanted a whole month. We may appeal."

Expensive diversity

We gave a call to the Federal Communications Commission job information line yesterday and listened to the usual recorded openings: "auditor" at the GS-7 level, "paralegal trainee" at GS-5, "staff assistant" at GS-8.

Higher up on the government pay scale is an opening for deputy director of "workplace diversity," a GS-15 post that will pay the lucky applicant $69,400, not including perks.

The envelope please

The Olender Foundation's annual Peacemaker Award has gone to such world leaders as Ronald Reagan, Mikhail Gorbachev, Yitzhak Rabin and Yasser Arafat.

But on Dec. 8 at the Kennedy Center, Ralph Nader will be crowned peacemaker. "Ralph Nader brings to people the most important kind of peace — peace of mind," lawyer Jack Olender explained.

Alabama's Heather Whitestone, the first deaf Miss America, will receive the Olender Foundation's Miss America's Role Model for 1995 award. More important, Jack and Lovell Olender will hand over a check to endow the Miss America/Heather Whitestone Speech Communication Laboratory at nearby Gallaudet University.

Let's do humpmunch

To mark the approach of 1995, the Bethesda-based World Future Society has called on scientists, researchers, business experts and scholars for a few thought-provoking forecasts.

Donna E. Shalala, secretary of health and human services, will be anxious to know that "few people in the future will eat the traditional three square meals a day. Instead, they will have five snacks a day. New names proposed for these snacks are 'day-start,' 'pulsebreak,' 'humpmunch,' 'holdmeal,' and 'evesnack.'"

What Labor Secretary Robert Reich isn't telling us is that "lifetime jobs will disappear in the future. To stay employed, workers will need to develop portable skills that they can take from one employer to another."

Attorney General Janet Reno should prepare for crime to "increase through the early part of the 21st century. One reason: In increasingly multicultural societies, traditional norms of behavior are breaking down or coming into conflict."

And Defense Secretary William Perry perhaps needn't worry about scaling down the military after all, for "future wars may be fought with minimum-bloodshed weapons that cause almost no death. Possibilities include laser rifles to cause temporary blindness, ultrasound to cause dizziness, and sedative guns to make victims groggy."
Mitchell appointed

President Clinton named retiring Sen. George Mitchell a special adviser for economic initiatives in Ireland, in the wake of the British government's announcement that it will meet with leaders of the IRA's political affiliates.

British Ambassador Robin Renwick, on departing the White House, said Mr. Mitchell's appointment will "help with economic involvement of the future of Northern Ireland and to help support the peace process."

White House officials stressed that the appointment does not mean direct involvement in the process. They said Mr. Mitchell will try to improve the country's economy, which would aid the peace effort.

The appointment will be a part-time job for the outgoing Senate majority leader. It likely will not exclude him from other work after leaving office. He has been rumored as possible base-ball commissioner.

Celebrity chronicles

Lani Guinier was describing her move from obscurity to fame: "I am just living a normal, very normal... right outside the University of Pennsylvania Law School, it was raining, and there were a number of other people who were also trying to catch taxis."

"I was on my way to the airport, and I put my bags down on the corner and waited for a cab, and all of a sudden a cab pulled up and stopped right in front of me. The driver got out and he said, 'The man inside says he knows you.'"

"So I looked inside the cab, and I saw a well-dressed businessman, but not someone that I thought I had ever met before. I managed a very weak grin—and he smiled broadly and said, 'Zoe Baird!'"

Sununu never did this

"From Rep. Newt Gingrich's forthcoming novel, "1945," excerpts of which appear in Newsweek's Jonathan Alter: "I was skeptical; I didn't move. Suddenly the pouting sex kit..."

You do terrible things; she hissed." Moments later, the hapless White House chief of staff, who is having the hair on his chest turned from the German spy's spell, losing all control: "His next coherent words were, 'We're making this new kind of bond.'"

Litary news II

House Speaker-to-be Newt Gingrich said he has instructed his publisher to remove from the novel he is co-authoring a reference to a "goofy" guy named George Bush, Reuters reports. Mr. Gingrich said in a statement: "I neither wrote, saw nor approved the reference to the president. I have instructed the publisher to eliminate that chapter from the final form of the book."

Mr. Gingrich told the Associated Press he wants to "tone it down just enough so that it gets to be PG-13 and not R." His efforts are due to be published by Baen Books next summer.

Today's quote

Newswest's Jonathan Alter: "As his odds worsen, the biggest factor for Clinton in '96 are the identity of the GOP nominee and the role of independents."

House liberals

Election of the House Democratic leadership, which shut out moderate and conservative members, suggests the party is as likely to lose more seats in 1996 than it is to make gains, says analyst Charles E. Cook.

Writing in Roll Call, Mr. Cook adds that the more the party's alienated moderates and conservatives choose to retire or are subjected to re-election losses, the longer the Democrats will wander the wilderness.

Meaning of limits

GOP pollster Frank Luntz says, "What Republicans have to do now is keep their promises."

He had the Chicago Tribune frame an exit from the term-limits pledge would create a reaction to rival President Bush's decision to renge on his no-new-taxes pledge.

Washington ways

Deval L. Patrick told the Boston Globe that, since becoming head of the civil rights division of the Justice Department, he has learned something about life in the nation's capital: "You always have to think about what people mean when they say something to you and who sent them to say it."

Term limits II

Sen. John McCain, Arizona Rep­ublican, in USA Today: "I don't think, frankly, you're going to see the Congress of the United States voting term limits."

But Sen. Strom Thurmond, South Carolina Republican, said on CNN: "The people want term limits. I've been trying to go back to the people. I'm going to vote for term limits. If it puts me out, I'm out."

Let the states

Wall Street Journal columnist Paul A. Gigot says James Q. Wil­son, "the best social scientist in America," began a speech on welfare reform at the Manhattan Institute: "I do not know what to do ... and I assert that no one else really knows either."

Mr. Wilson recommended letting states experiment and compete among one another, independent of federal control except for monitoring the results.

Mr. Gigot thinks that makes sense: "This is also smart poli­
tics, because by devolving power to the states, Republicans would avoid a pitched welfare battle they probably can't win with Bill Clinton still in the White House."

Liberal windfall

The New York Times' Neil A. Lewis reports that liberal inter­est groups anticipate prosperity as a result of the recent elec­tions: "Nan Aron, the director of the Alliance for Justice, said that issue-oriented groups thrived on threats by 'being able to point to a non-cooperating' man. Aron, whose coalition focuses on liberal, said that (New) Gingrich would fill that role.

Better than golf

In Cheyenne, Wyo., producers of the Conservative Television Network hope to offer 24 hours of conservative news and entertainment programming in early 1996. "We believe it would be more successful than the Golf Channel—and I'm going to subscribe to that," Sen. Malcolm Wallop, Wy­oming Republican, chairman of CTV's advisory committee, told the Associated Press.
Newt's knights are a pro-business bunch

The knights of Newt's round table are starting to arrive at the castle, and many of them bring a distinctly conservative, free-market or pro-business track record to the table with them.

House members hoping for a seat on Newt Gingrich's Leadership Council have been jockeying for votes for the past two weeks. Those efforts came to a close tomorrow and next week, but the likely winners have emerged, according to congressmen involved in the races.

And those winners will bring a distinctly different perspective to issues such as a capital-gains tax cut, downsizing the scope of regulatory agencies or enhancing the competitiveness of key U.S. industries like medical devices, telecommunications, computers and biotechnology.

Because the House is so unwieldy and party unity is sometimes difficult to achieve — and because the new committee chairmen are coming in with essentially clean slates — Mr. Gingrich's council will almost immediately fill the policy-making void and play a pivotal role in shaping the agenda for the first three to four months in the new Congress.

That's why Washington's business, lobbying and regulatory community will be looking for access to anyone with a seat at Mr. Gingrich's table in December and January. It's where all the big decisions will be made, at least in the early going.

The Republican leadership council is made up of the speaker, majority leader, majority whip, conference chairman, conference vice chairman, conference secretary, National Republican Congressional Committee (NRCC) chairman and a freshman class representative.

There may be one or two additions or deletions by the time the dust settles. The research committee chairman that was part of the past minority leadership may drop off the council, for instance.

As for those who will take a seat at the table, they will clearly bring a new way of doing business with them. Mr. Gingrich's record and agenda, for instance, are well-enough polished. He made his reputation as a firebrand who consistently paints the Republican Party as the low-tax party that wants to cut wasteful spending.

The agenda of Dick Armey of Texas, the new majority leader, is likely well-known by now. He's a flat-tax proponent. He's made a name for himself going after federal programs to cut. He spent much of his freshman year in Congress delivering long sermons on free-market economics at congressional hearings.

While it's always a precarious business to predict outcomes — especially with such a sizable incoming freshman class — the other likely members of the leadership council, according to those involved in running and handicapping the leadership races, include:

- Tom DeLay of Texas as majority whip. Like his fellow Texan Mr. Armey, Mr. DeLay is an anti-tax, anti-government conservative. In addition, Mr. DeLay has been spearheading a massive regulatory reform project in concert with the Fortune 500 business community for the past year or so. He chaired the task force on competitiveness in the previous Congress, a post that prompted him to block an effort by Democrats in the 103rd Congress to de-fund former Vice President Dan Quayle's Competitiveness Council in 1992.

- Christopher Cox of California as Policy Committee chairman. Mr. Cox is a "Reagan Revolution" alumnus with a passion for trying to reform spending. As President Reagan's senior legal counsel, he drafted a policy to re-form the federal budget process and co-chaired the Republicans' Task Force on Budget Process Reform after becoming a congressmen. He's introduced bills to make budget targets legally binding. He also tried to block previous legislative efforts to give the federal government greater control over takeovers financed by leveraged buyouts.

- John A. Boehner of Ohio as conference chairman. Head of the Conservative Opportunity Society and a member of the "Gang of Seven" that took on the Demo-cratic leadership over the House bank scandal, Mr. Boehner is known for his efforts to block congressional pay raises, but that expertise carries into other areas of the legislative spending and budgeting process as well.

- Bill Paxon of New York as NRCC chairman. While known as one of the architects of the Republican takeover of the House, Mr. Paxon has spent his time working on two key House committees with sway over much of the business community — Energy and Commerce and the Banking, Finance and Urban Affairs committees.

- Susan Molinari of New York as conference vice chairman. A liberal on social issues, Ms. Molinari is more conservative on economic issues. She's been the ranking Republican on the economic development subcommittee of Public Works, for instance.

- Tim Hutchinson of Arkansas as conference secretary. Despite a pledge to support fellow Arkansan Bill Clinton, Mr. Hutchinson voted against the president's budget and stimulus package in 1993 as well as the family-leave legislation. Like others in the GOP leadership, he's a reformer who wants to downsize government, cut the deficit and give the president a line-item veto.

- David McIntosh of Indiana as the freshmen class representative. Though a new legislator, Mr. McIntosh is already a veteran in Washington's policy-making wars. He ran Mr. Quayle's vaunted Competitiveness Council and, immediately after leaving the White House, coordinated the successful lobbying effort to kill the centerpiece of President Clinton's 1993 economic package, the BTU tax. Like Mr. Cox, he is also an alumnus of the Reagan Revolution.

One unofficial member of the council may also be J.C. Watts of Oklahoma, who is being drafted as the president of the Republican freshmen class (which comprises nearly a third of the GOP major-ity). Mr. Watts is distinctly pro-business. He chairs the Oklahoma Corporation Commission and has served on the Environmental Protection Agency's National Drinking Water Advisory Council and the National Association of Regulatory Utility Commissioners' Electricity Committee.

CAPITAL

By Jeff Nesbit

From page B7

chairman, conference vice chairman, conference secretary, National Republican Congressional Committee (NRCC) chairman and a freshman class representative. While known as one of the architects of the Republican takeover of the House, Mr. Paxon has spent his time working on two key House committees with sway over much of the business community — Energy and Commerce and the Banking, Finance and Urban Affairs committees.

Knocking off Newt, with Republican fire

By Wesley Pruden

The Newt and his Republican insurgents are not supermen, despite the goblins and dervishes now swirling devilishly behind fevered Democratic brows, but they have it within their power to do in 40 days what it took the Democrats 40 years to do.

And they'll do it if they act like the Republicans we've all come to love, know and work hard not to be contemptuous of.

The thrill of the '94 election returns was the promise that at last there's a dime's worth of difference. These Republicans will stand up and fight. Alas, they're not all in town yet, and some of them are looking for a place to lay down.

Others seem to be practicing to be as out of touch as the Democrats, keen for the perks and privileges of office, looking only for silverware to take home as souvenirs.

Brave talk about term limits and cutting the size of congressional staffs is gone with the wind, overpowered by a buzz about taking it slow and easy, that since the Republicans picked up 52 seats in the House and eight in the Senate, maybe Americans won't any longer feel a need to take out insurance against a permanent infestation of slackers, moochers and deadbeats.

Only a man with a penchant for breathtaking arrogance, terrified by the prospect of eventually having to go home to find a permanent job, could convince himself that this is so. Such a man will learn the hard way what his constituents know already, that Republicans are no more immune to the temptations and blandishments of perks, power and privilege than Democrats.

"Republicans are not sacred cows," says Blanquita Cullum, who hosts a talk-radio show in Richmond, one of the many that have contributed to the conservative renaissance in the midst of the Clinton interregnum. "If they don't produce, they need to get out."

David Wecker, a talk-show host on WLW radio in Cincinnati, is blunt: "I am a typical conservative. But I hate to align myself with Republicans, because they could be just a new batch ofbums."

G. Gordon Liddy, perhaps the fastest-rising national talk-show host, cites George Bush as the caution for the Newt, the Dole and the gang: "George Bush's 'read my lips' was a contract he didn't uphold, and he lost, justifiably, on acc-count of it."

Some of the wary think Newt and his No. 1 enforcer, Dick Armey of Texas, are showing a white feather already. Newt now says he supports a limit of six terms, which is more than most Americans say they want for him, and Mr. Armey told an interviewer for National Public Radio that maybe the nation's desire for term limits will be "diminished" with the Republican takeover of the House.

Say it ain't so, Dick: His office was deluged by phone calls from angry constituents, who at first imagined that the grieving liberals at NPR must have manipulated Mr. Armey's remarks through the magic of tape-splicing, so great was their disbelief. The one-time thunderer, having bobbed, weaved. He promised to "fight hard" for term limits after all.

There's an irony here. Newt climbed to power on the signal of C-SPAN, with its remorseless eye and ear on debate and rhetoric from the floor of the House. He educated millions of viewers about how Congress really works. Those millions out there now understand the feints and dodges, the deceits by which Congress appears to do one thing while actually doing another. Blowing off Republican promises, beginning with term limits and cutting the size of congressional staffs, won't work now. If the Republicans make half-hearted attempts to do something painful, while actually assuring an opposite result through procedural gimmicks, the "rubes" back home will recognize the trickery at once.

"We'll be disappointed if we don't see the Republican leadership go to the mat on this and make a real effort to get this through," says Elizabeth Stern, a strategist at the Term Limits Legal Institute. "If they don't have a credible vote or if it is seen as a disingenuous vote, a lot of voters are going to think they had the wool pulled over their eyes."

Frank Luntz, the Republican pollster who helped Newt and the guys draw up their famous "Contract With America," does not sugarcoat the risks and dangers for Indian givers. "Term limits were at the core of the appeal of Republicans," he says, "and they can't back away from it."

The Republican campaign successfully "nationalized" the elections so that voters everywhere were made to understand the nature of the disease, the corruption of power, and the specific for the cure, ruthless amputation.

The Democrats drowned in the flood. There'll be a fire next time, a blaze hot enough to render Newt and everybody with him into 39 cents worth of Capitol Hill blubber.
Bewildering patterns of giving...and

A s the season of goodwill and generosity begins, the question of who should pay what how and how much becomes a matter of public concern. It is not new for magnates to boast about their niceness, but it's often a matter of public concern.

A growing number of industrialists burnish their images by supporting nonprofit organizations that equate charity with larger government and heavier burdens on working stiff.

The Capital Research Center, which tracks this trickle-down tyranny, has just released the eighth annual edition of Patterns of Corporate Philanthropy. The study proves capitalists can be dope, especially when they hand out cash that doesn't belong to them.

Stuart Nolan, author of the report, notes that corporations overwhelmingly contribute to groups that oppose "America's traditions of limited government, a free market, and respect for individual rights and responsibilities."

Sometimes the mismatches get hilarious. In 1991, the most recent year for which numbers are available, Exxon contributed $5,000 to the Environmental Law Institute, whose legal theories inspired a federal rules. James T. Bennett and Stuart Nolan, author of the report, notes that 21 companies shoveled out philanthropic dough in 1991 of limited government, a free market, and respect for individual rights and responsibilities."

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Kim Dennis of the conservative Philanthropy Roundtable says, "When [many entrepreneurs] give money away, their minds turn to mush. They use entirely different principles than they use at the office... Many foundations have expanded the scope of government considerably. So when they talk about 1,000 points of light, they're lighting up the federal government."

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The compassion establishment seems to take the notion of a "charitable writeoff" literally in the sense that it actively discourages donor participation in the perfection of humankind. The theory in philanthropic circles, as in government, is: Give us the cash, and we'll handle the virtue. When somebody talks about performing good works without first consulting boards or government agencies, snobs pounce: Recall the reaction when Newt Gingrich suggested that kids might get better treatment in orphanages than in housing projects where gangs execute 5-year-olds who refuse to steal.

"Charity," the Good Book says, "covers the multitude of sins," and bureaucratic philanthropy has enabled elites to tax the working classes while lecturing them on morals.

As Americans rebel against imperious government, they ought to consider taking back control over charity. When Scrooge turned nice, he didn't delegate the task of delivering presents. He wanted to see Tiny Tim's face. This year, as we think about how to show our concern for others, we might want to reject the example of the Ford Foundation and pattern ourselves more after old Ebenezer Scrooge.

Tony Snow is a Washington-based editorial page columnist for the Detroit News and is nationally syndicated.
The Bosnian Serb view

Bosnian Serbs kidnap U.N. peacekeepers. Bosnian Serbs have taken over visa process, which commit human rights abuses. On and on go the headlines in the U.S. portrayed as an ugly, murderous country.

We've read about Serbian aggression and Bosnian Muslim plans.

But Danielle Sremac will offer a Bosnian Serb view of the conflict when she appears this morning at the Carnegie Endowment for International Peace. Ms. Sremac is described as the emissary to the United States and Canada from the Bosnian Serb Republic.

Her talk will begin 8:30 a.m. at Carnegie headquarters, 2400 N. St. NW.

Russians face visa fee

The U.S. Embassy in Moscow yesterday introduced changes in its much-criticized visa process but also imposed a visa fee equivalent to a week's wages for the average Russian.

U.S. Ambassador Thomas Pickering said the steps are designed to ease the visa process for human rights activists and Russian officials have said is rude and humiliating.

Changes include an "entry lane" and easier processing for business visa applicants.

But the embassy also introduced a $20 processing fee, which is not refundable.

"I'm not interested in having the U.S. portrayed as an ugly, Soviet-style bureaucracy," he said.

If you have a tip, suggestion or victim, call Embassy Row at 202-636-3297.

Serbs and Kosovo

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ton to seek help in containing the conflict in the Balkans.

The human rights situation in Kosovo is a travesty that must not be allowed to continue," said Rep. Elliot Engel, New York Democrat and caucus co-chairman.

"Quiet ethnic cleansing and oppression occur on a daily basis while the world community watches." The self-declared republic has been under Serbian martial law for four years and is the Alban­

ian majority has been denied the right to work, attend schools and hold public meetings," Mr. Engel said.

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"We support the bishops' repeated statements that would have made abor­tions available to all women as part of a standardized package of health-care benefits.

This is extraordinary in light of the bishops' repeated statements in opposition to any health-care bill that includes abortion. While they have declared their support for the concept of universal health cover­

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tary of State Strobe Talbott and U.N. Ambassador Madeleine Al­bright.
Someone at the Department of Housing and Urban Development has leaked me a copy of the department's draft report, "The State of Fair Housing 1993." Perusing the report, I soon discovered why. It is written by unformed ideologists who believe there is a conspiracy between real estate agents, appraisers, lenders and insurers to prevent black people from being able to buy homes.

The absence of evidence only convinces HUD's report writers that the conspiracy's "silent, elusive" nature "makes HUD's mandate to aggressively enforce and promote fair housing all the more urgent." Out of 6,354 Fair Housing Act complaints in 1993, HUD investigators could find sufficient evidence to warrant further action in only 211 cases—which, to HUD's mind, is that the conspiracy is widespread, all complaints have reasonable cause. In other words, evidence is not needed, because it is too hard to find. As HUD puts it, "Those who choose to discriminate usually take care to conceal their prejudice, making proof particularly difficult."

To help matters along in these new directions, Miss Achtenberg has ordered her Office of Fair Housing and Equal Opportunity to draft a regulation stating that evidence of a conspiracy is sufficient to show a violation under the Fair Housing Act. Soon we will be hearing that high rents on luxury units have a discriminatory effect because poor blacks can't meet the payment.

In practice the new standard would mean landlords would be guilty of discrimination if the percentage of "protected minorities" among their tenants was less than minority representation in the local population. For individuals with only one or two rental units, they would have to be able to show that over time they had rented to "protected minorities" on enough occasions to meet the quota.

Public housing authorities get hit with discrimination claims, too.

Housing and Equal Opportunity "to help matters along, HUD has instructed HUD field investigators to dispense with the "preponderance of the evidence" standard that rules in federal courts and turn instead to a "reasonable cause" standard when weighing the claims of complainants. But since HUD assumes that discrimination is widespread, all complaints have reasonable cause. In other words, evidence is not needed, because it is too hard to find. As HUD puts it, "Those who choose to discriminate usually take care to conceal their prejudice, making proof particularly difficult."

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HUD's new policy, imposed by Secretary Henry Cisneros and Ms. Achtenberg, has caused consternation among both HUD's own lawyers and Justice Department lawyers, who are disinclined to make grants of taxpayer dollars to the plaintiff's bar. HUD's policy also angers local housing authorities who accuse the department of using low-income people as pawns in social engineering schemes. The bottom line is that Mr. Cisneros is using public housing as a weapon against what he calls "spatial separation" by income and race.

A prominent feature of the settlements is a commitment to build new public housing units in middle class neighborhoods outside "areas of concentration." In other words, HUD is using your tax money to bring you neighbors you may not want and who may not want to live where they don't fit in.

A settlement that HUD tried to force on Omaha, Neb., a leader in dispersing public housing in single family units throughout the city, would have denied choice both to public housing tenants and to the city's innovative policy officials. Tenants would have been allocated by race regardless of their own choices, and Omaha's public housing program, which teaches people how to succeed, and quickly gets them out of public housing, would have been reduced to a mindless bureaucracy.

Omaha's successful program was saved by the intervention of the governor and the state's U.S. senators and representatives, but elsewhere Mr. Cisneros is making headway with his zealous mission to use public housing as a block-busting tool to bring diversity to middle class neighborhoods.

Mr. Cisneros' policy violates HUD's fair share requirements by concentrating new units in litigated areas, while other parts of the country build up longer waiting lists. The subversion of U.S. policy by the personal ideologies of Clinton appointees is an urgent matter for the new Republican Congress.

Paul Craig Roberts is a columnist for The Washington Times and is nationally syndicated.
Adding up the wages of defeat in Bosnia

CORD MEYER

After so many mistakes of omission or commission by our British and French allies in the United States and its allies in the Bosnian conflict, the Clinton administration probably had no choice but to accept the Pentagon’s judgment that at this late stage a U.S. bombing campaign could not change the outcome.

The difficulties of mounting an effective bombing operation against the Bosnian Serb forces with their British and French allies and without their cooperation are formidable. Not the least of the problems would be the difficulty of ensuring the safe departure from the battlefield of the French and British troops, who would certainly be withdrawn if the United States acted against their advice and launched a bombing attack against Bosnian Serb troops and installations.

Then there is the vulnerability in the coming winter not only of Bihac for the Muslims and the other towns in U.N.-protected areas. The terrain and the weather make it extraordinarily difficult to move an accurate bombing campaign sufficient to keep the Bosnian Serb aggression below a failure to protect the Bosnian Muslim populations in their enclaves would be read as a profound defeat by the very people we were attempting to help.

With neither the United States nor the British and French committed against the introduction of American troops on the ground, there is little chance we’ll see its severe limitations on the Bosnian battlefield.

The British and French committed against permitting the shipment of arms to the Bosnian Muslims after their own troops have left, there is a real question whether American and United States — under winter weather conditions — could deliver enough arms and ammunition in time to conditions — could deliver enough troops and installations.

In a unilateral American bombing campaign ruled out, the New York Times, in an editorial late last week, has proposed that Serbian President Slobodan Milosevic be warned that the Serbian Serb forces that have played a decisive role in the Bihac fighting must be pulled back across the international border.

The Times correctly points out that the United States can threaten to veto any further relief for Belgrade from the U.N. sanctions as a way of persuading Mr. Milosevic to send his Croatian Serb allies home. This is the one form of economic sanction that remains available and should be used.

American diplomats who have served in the area feel strongly that a real effort should be made to save Sarajevo. It stands as a symbol of the moderations and mutual respect that prevailed in the Bosnian capital among the different religious and ethnic groups. In that cause, there might be a willingness to join in an international effort to ensure its survival.

In the absence of procrustination of the international community in Bosnia have led finally to the understanding — a wire that awaits a proper wire. In the Bosnian Serb capital today is 10 percent Serb, 20 percent Muslim and to a fluctuating degree of the Christians. In that cause, there might be a willingness to join in an international effort to ensure its survival.

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However, the performance of the United States, Germany, Britain, France and Russia in the Bosnian crisis is not such as to encourage confident among the smaller countries of this world. Their procrustination and failure to act against aggression and ethnic cleansing sent shock waves throughout the entire membership of the United Nations.

Macedonia, with its large Albanian minority, has a common border with Kosovo and is watching events warily. President Kiro Gligorov won the recent Macedonian elections, but is under heavy pressure as a result of a Greek economic blockade. His border with Kosovo is stabilized by a U.N. monitoring presence that includes a small contingent of American troops.

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Cord Meyer, a specialist in foreign affairs, is a columnist for The Washington Times.

WALTER WILLIAMS

the heart of much of what’s wrong in America is the way of life. 10 years ago, being on welfare was considered a disgrace. Today, welfare has become a “right” somewhat like those guaranteeed by our Constitution. We have had the same number of people leaving the country. The result, we’ve immunized many poor people to the traditional cure for poverty. Instead, they and the experts try to continue in their attempt to convince us that it’s external factors that explain the anti-social behavior so prevalent today rather than gross individual character flaws.

As Abraham Lincoln warned, “You can’t fool all the people all the time.” Increasing numbers of Americans are wising up to the fact that the liberal elite has sold us a rotten bill of goods.

Americans are developing increasing resistance to our government demanding that we dig deeper into our pocket to fund government schools.

More are interested in school choice plans. There’s building public resistance against government schools.

I hear much now about the common sense of yesteryear. We simply must stop believing in the common sense of yesteryear. The concept that government knows best is a way of life. Years ago, being on welfare was considered a disgrace. Today, welfare has become a “right” somewhat like those guaranteeed by our Constitution.

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Walter Williams is a nationally syndicated columnist.
Bipartisan losers for GATT

On the morning before a lame-duck Congress passed the General Agreement on Tariffs and Trade (GATT) this week, President Clinton kicked off the day by hosting a bipartisan mini-convention of illuminati to exhibit the broad support the globalist trade treaty enjoyed.

Five Nobel Prize winners, a former secretary of state (Republican), the speaker of the House (Democrat), the former budget director (also Republican) and a bevy of other former and honorable all gathered to raise the global curtain on what The New York Times chortled might turn out to be a “New Era” of bipartisan harmony and globalist get-together. But probably not since the serene Secretary of State, James Baker III, is generally regarded as responsible for President Bush’s 1992 loss of the White House, Speaker of the House, Tom Foley, has the unenviable distinction of being only the second incumbent Speaker in American history to lose his own re-election. Ex-Budget Director James Miller also lost his primary bid to Oliver North last spring, despite virtually unanimous backing by the GOP establishment. Even the president himself is now a political road-killed, crushed by the Republican juggernaut.

Yet despite surrounding himself with losers, Mr. Clinton, with the help of the indefatigable suicidal impulses of the Stupid Party, did manage to snatch a victory on GATT from the jaws of defeat. There has indeed emerged a “bipartisan” coalition that backs political and economic globalism in one form or another, even as the near collapse of the European alliance this week exposes once again the fallacies on which the myth of “global unity” is based.

But if there now exists a globalist coalition consisting of liberal Democrats, mainstream Republicans, neo-conservatives and libertarians, the bigger news is that there has also emerged another coalition in opposition to it.

The other coalition consists not only of the official Washington and voters who opposed the North American Free Trade Agreement (NAFTA) and GATT not only of those who opposed it for purely economic reasons, but also of prominent American politicians who believe the opposition to GATT, far more than to NAFTA, was the threat to national sovereignty. The coalition also includes supporters of immigration restrictions and of what they call an “America First” foreign policy — that is, a generally non-interventionist foreign policy, focused on the national interest. What binds this coalition together and separates it from the GOP establishment is its explicit commitment to a new American nationalism. The GATT coalition which is globalist in foreign policy and generally pro-immigration, is in fact anti-nationalist. Most of what passes for its heavy lifters is less than keen about the very concept of national sovereignty; many don’t understand the concept or care about it, and when they do understand it, they’re against it.

Their characteristic preoccupation is almost entirely with economic issues in the most narrow sense, a preoccupation that fits well with both the traditional American nationalism and its ability to兼顾 globalist interests as well as with the essentially socialist mentality of the Democrats. It’s a preoccupation that reflects the myth of Economic Man — that human beings are mainly or entirely economic in their motivations and that therefore the business of America is business, even if it takes the federal levies to conduct it or regulate it.

The non-economic forces that drive human beings — nation, religion, race, sex, class, culture and indeed the whole of what we might call power itself — remain undreamt of in mainstream Republican philosophy or indeed in the current world order. The “new era” the GATT coalition promises.

The other coalition of new nationalists seems to grasp at least the elements of those forces, and so do far more Americans now than last year when NAFTA was passed. In the next Congress and in the political future, the new nationalism will be even more visible, and once the losers who passed GATT are swept away, the supporters of this new nationalism will start driving the real — and revolutionarily — realignment of American politics.

Fashion couple may bring their style to White House

Fashion designers Richard Tyler and his wife, Lisa Tyler-Tranter, have done custom work for Rosanne Barr, Oprah Winfrey, and Aretha Franklin, among others. And if this week’s special invite to the White House means anything, soon they may be getting a call from first lady Hillary Rodham Clinton as well.

It was the couple’s first visit to Washington, and they started at the top. On Monday, they said, they were part of a reception for the top. On Monday, they said, they were part of a reception for Five Nobel Prize winners, a for-

Harbingers of spring: A parade of long-stemmed models on the runway at the end of the fashion show.

Neiman Marcus’ Trudy See introdiced designer Richard Tyler and his son, Edward, 14.

Neiman Marcus Mazza Gallerie still stocks reported following Tuesday’s showing of Mr. Tyler’s sensuous shapely spring line at

The Washington Times, is nationally syndicated. His column appears here Tuesday and Friday.

Samuel Francis

Samuel Francis, a columnist for The Washington Times, is nationally syndicated. His column appears here Tuesday and Friday.
It is often among those who think that the political campaigns are over for another two years, and indeed, the 1996 presidential election cycle has officially begun. It may be too early for most Americans to decide between the candidates for the 1996 midterm election battles, to even consider the prospect of another long campaign. And who can blame them?

But a weak and vulnerable presi­dential incumbent, whose reelection chances in the second term is not a sure thing, has capitalized the timetable for the 1996 campaign.

Here’s my current political check­list on the strengths and weaknesses of the chief GOP candidates.

- Sen. Bob Dole of Kansas Mr. Dole’s presidential stock gets a huge boost merely because of his increased visibility as the new Senate majority leader. He will be on more news shows than any other GOP leader in the coming year and that will make him a very well-known commodity.

But he still does not have the support of the GOP’s conservative base, if for no other reason than his support for the tax and spending cuts. He was more of health care in the early rounds until he saw which way the wind was blowing and he has been less than enthusiastic on the House health care bill early and vigorous­ly opposed it.

- Former President Dan Quayle. After four tumultuous years as one of the most ridiculous vice presidents of the modern era, Quayle’s candidacy would have been unbelievable just a year ago. But with the economy surging and fund-raising appearances declining, he has many grave-room allies, and he has the ability to put together a wide-based campaign.

Still, the old insecurity, bumbling Quayle image is hard to shake and is still stained into the American con­sciousness. He must prove he has pres­idential stature, guts and judgment, and that won’t be easy.

- Former Defense Secretary Dick Cheney. His credentials as a House chief of staff, and the man who oversaw the Persian Gulf war, Mr. Cheney certainly has plenty of stature from his inability to get beyond the national security and defense issues that dominate his speeches. He needs to craft some creative new proposals that deal with the other big issues of our time, perhaps welfare reform or the break­down of family values, to give his candidacy the breadth and depth that it needs.

- Former Education Secretary Lamar Alexander. He remains out there on the periphery of the GOP Rock, without a strong identification with a major cause or public policy proposal. He is articulate on edu­cational problems and other issues, but needs a big idea to latch onto. Perhaps school choice.

- Former Sen. Pete Wilson. Just by virtue of the fact that he comes from the biggest state in the country makes him a compelling political figure. But his support for a huge state tax increase, which pushed the California economy deeper into a recession, makes him un­popular with the party’s rank and file.

- Mr. Wilson could remade himself in Mr. Reagan’s image by pushing a major, pro-jobs tax cut through the legislature over the next two years. That, plus a revived state economy that would surely follow, could make him a political star.

Donald Lambro, chief political correspondent of The Washington Times, is a nationally syndicated columnist.

Lining up in the ’96 paddock

Clinton and the military

Harry S. Summers Jr., a retired Army colonel, is a nationally syndicated columnist.

S

ay what you will about Presi­dent Bush and his White House staff — they are not nearly as ignorant about the military as those of his Democratic prede­cessor. “When a White House aide in the party are as ideologically devoid of economic growth initia­tives, even though he was an econ­omics teacher and understands the issue backward and forward. His future may depend on whether he can get beyond the budgetary, deficit-cutting issues to the economic as well as social issues that concern so many Amer­i­cans.”

- Kemp. As the chief archi­tect of Ronald Reagan’s tax-cutting, economic growth agenda, the for­mer Housing and Urban Develop­ment secretary deserves credit for mov­ing his party away from Hoover Republicanism. No one under­stands the politics of economic growth better or gives it a more convincing voice.

However, Mr. Kemp needs to take a page out of Mr. Reagan’s playbook and begin staking out a stronger agenda for cutting gov­ernment down to size. He needs to reassure his party that he knows there are a lot of programs that could be cut or eliminated that could be better done by the private sector. Striking a bit. Needed govern­ment, while proving the savings U.S. military action there had been in action in 1969, the losses fell drastically to avoid casualties. Instead of his loathing the war they may oppose, “a war which in any case does not involve the peace and freedom of the nation.”

Ironically, when it comes to Haiti and Panama, the Bush administration in the House and Senate agreed almost 100 percent with those sentiments. But Mr. Clin­ton didn’t sit there, “I am writ­ing this to help you understand more clearly how many fine peo­ple there are out there still loving our country but still suffering the military.

Instead of blaming his mentor, Arkansas Sen. J. William Fulbright, who in 1964 had shepherded the Tonkin Gulf Resolution authorizing military action in Vietnam through the Senate (in what some say is its only real misuse of the 1962 Gulf Resolution), he is now helping to pass the bill. It was recently revealed that as a student at Harvard Vice Presi­dent Al Gore had also virtually attacked the Army, among other things condemning it as a “ fascistic” organization. But he was easily able to dismiss those words as youth­ful ignorance, for afterward he served in the Army from 1969 to 1971, including a tour in Vietnam. Stationed with a public affairs unit in a rear area, he came back unscarred.

But that was not unusual, even for those in front-line units. After the battle of Hamburger Hill in May 1969 (seven months before Mr. Clinton’s letter), U.S. ground combat action in Vietnam was cut drastically to avoid casualties that the American people found increasingly unacceptable.

By December 1969, when Mr. Clin­ton’s letter was written, the mili­tary’s main mission in Vietnam was to disengage and the troop withdrawal was well under way. Had he returned to Arkansas in December 1969 to complete his ROTC commitment, it would have taken him two years to win a commission. By the time he completed his basic Army training it would have been mid-1972, and his chances of being sent to Vietnam would have been almost nil, for the last U.S. ground combat unit was withdrawn in August 1972.

And even if he had been drafted in 1970, his chances of being sent to Vietnam were slim. In the unlikely event he would have been sent, as Al Gore found, he probably would not have been in any great danger. Almost all casualties in Vietnam, as in past wars, were suffered by the rela­tively small number of infantry­men on the line, few of whom had attended Georgetown or Oxford.

“All I seem to have done was to protect myself from physical harm,” Mr. Clinton wrote. But his chances of physical harm in Viet­nam were slight, for by that time casualty rates had fallen dramati­cally. From 9,414 Americans killed in action in 1969, the losses fell in 1970 to 4,221 in 1970, 1,481 in 1971 and 300 in 1972.

Mr. Clinton had saved himself from physical harm. But he is still paying the political price for his actions. Instead of lambasting the military, he is now the object of its contempt.
Full circle for the Berkeley Free Speech Movement

By Dave Gentry

Today hundreds of former '60s radicals have banded together to issue a kind of self-help manual for the Berkeley Free-Speech Movement. Many of those arrested during the uprising are now providing advice to students and faculty on how to avoid accusations of political correctness.

The movement was prompted by trustees who believed that political activism and the promotion of "radical" causes had gone too far at Berkeley. In early October 1964, the administration decided to ban recruitment and fundraising for political causes. Dozens of student leaders defied the ban, and when a student named Jack Weinberg refused to leave a recruitment table, an administrator called the police. Thereafter, the beginning of the Free-Speech Movement. The police sat handcuffed in a police car while thousands of students gathered in protest, some of them jumping on the patrol car, making speeches in defense of First Amendment rights.

After months of negotiations followed by a massive sit-in in early December, more than 500 students were carried away in paddy wagons. The police released six of those with whom they disagreed.

The movement culminated in a series of events that marked the beginning of a new era of "participatory democracy." The police were on the streets, students were on the campuses, and a new era of activism had begun.

A growing number of students are beginning to question and even rebel against the notion that it is acceptable to censor speech and ideas that do not fit prevailing orthodoxy.

By Dave Gentry

I made no complaint to the court against Judge DavidSentelle

In an "American Scene" item in your Nov. 2 paper, you state that Chief Judge Harry T. Edwards of the D.C. Circuit dismissed complaints by two law professors against Judge David B. Sentelle. You mention me by name as being one of those complainants and report that Judge Edwards "said" that my complaint failed to allege improper conduct.

I made no complaint with Chief Judge Edwards or the court regarding Judge Sentelle. Your report that I did and that Chief Judge Edwards dismissed such a complaint is wrong.

STEPHEN GILLERS
Professor of Law
School of Law
New York University
New York
It's tax-cutting time for Virginia

By George Allen

Yesterday, I was pleased to announce our intentions to submit to the 1995 General Assembly an annual tax cut for every Virginia taxpayer. The total will be $2.1 billion over five years.

This tax relief will be particularly beneficial to hard-pressed working families with children and to businesses, especially small businesses that are the engines of growth and job creation in our economy.

Our proposal will cut taxes significantly by tripling the personal, dependent, age and blind exemptions for the State income tax from the present level of $800 to $2,400. This tax cut will be effective Jan. 1, 1995, and phased in over five years.

This is truly meaningful tax relief for Virginia's taxpayers. But the changes will be felt the most by Virginia's working families, especially with children.

Here are a few examples of what this tax cut will mean:

- A married couple with two children and $24,000 in federal adjusted gross income, claiming the standard deduction, and four exemptions at $800 each ($3,200 total), currently pays Virginia income tax of $660.

- Under my proposal, the same couple would receive $2,400 each ($9,600 total) for their exemptions, thereby decreasing their Virginia tax to $340. This is a 48.5 percent tax cut (or $320 savings) for that family.

- A married couple with two children and $40,000 in federal adjusted gross income, claiming $2,000 in Virginia itemized deductions, and four exemptions at $800 each ($3,200 total), currently pays Virginia income tax of $1,760.

- Under my proposal, the same couple would receive $2,400 each ($9,600 total) for their exemptions, thereby decreasing their Virginia tax to $200. This is a 91 percent tax cut (or $1,560 savings) for that family.

- A single parent with two children and $24,000 in federal adjusted gross income, claiming the standard deduction, and four exemptions at $800 each ($3,200 total), currently pays Virginia income tax of $1,144.

- Under my proposal, the same parent would receive $2,400 each ($7,200 total) for their exemptions, thereby decreasing their Virginia tax to $114. This is a 67.4 percent tax cut (or $1,030 savings) for that family.

- A single parent with two children and $40,000 in federal adjusted gross income, claiming two children, Virginia personal exemptions, and four exemptions at $800 each ($3,200 total), currently pays Virginia income tax of $2,400.

- Under my proposal, the same parent would receive $2,400 each ($9,600 total) for their exemptions, thereby decreasing their Virginia tax to $801. This will result in a 26.8 percent net tax cut (or a $1,699 net savings) for that family.

Another important example is a single parent with two children and $15,000 in federal adjusted gross income, claiming the standard deduction, and three exemptions at $800 each ($2,400 total). That single parent currently pays Virginia income tax of $530.

Under my proposal, the same single parent with the same income would receive $2,400 each ($7,200 total) for their exemptions, thereby decreasing their Virginia tax to $114. This is a 67.4 percent tax cut (or $313 savings) for that family.

When our proposal is fully phased in, a working couple in Virginia with two children and four exemptions at $800 each ($3,200 total), currently pays Virginia income tax of $1,760.

- Our plan will remove up to 84,000 low-income Virginia taxpayers from the Comma's income tax roll — not because they are not working, but because their Virginia government will not be gathering their income.

- Indeed, relief from the income tax is long overdue. Virginia's income tax burden ranks in the top third of the states. Virginia's actual personal exemption ranking for 1994 was next to last among the states.

- A tax on income is a tax on effort, on diligence, on productivity, on individual initiative and self-reliance. These are things that should be encouraged by allowing working people to keep more of what they earn.

- The remaining one-third of our $2.1 billion tax cut will come from the phase-out of the Business, Professional and Occupation­al License Tax. This regressive, illegal tax is a gross-receipts tax. But it is really a tax on jobs.

- Right now, small businesses in 52 counties, 41 cities and 32 towns in Virginia are saddled with a tax that they must pay on their gross receipts — a tax that is levied even if those businesses do not make a profit, which is often the case for new, start-up businesses. That is wrong.

- My administration will work with the General Assembly to craft a phase-out plan for this tax that is acceptable to local governments and businesses. But I will insist that this gross receipts tax be eliminated during the five-year period in my plan. 2) capped at its current (Dec. 1, 1994) level; and 3) administered uniformly over the five-year phase-out period.

- Under my proposal, the Commonwealth will help localities adjust to this tax relief by providing $30 million in alternative funding during the phase out period.

- We must not overlook two of the major benefits that will flow from this entire $2.1 billion tax cut package — economic growth and job creation and job security for Virginians; and fiscal discipline imposed on the Virginia government, whose spending over the past 12 years grew faster than the rate of inflation, faster than the rate of economic growth, and faster than the rate of growth in per capita income. It will enforce the fiscal discipline that Virginians so clearly demand from their state government.

- Without question, this will be a defining moment for the Virginia General Assembly and the citizens of the Commonwealth of Virginia to follow through on their demand for a fiscally and more responsible government.

Mrs. Clinton's role as enforcer

After maintaining a posture of uncharismatic mystery for several months before the election (and for several days after it), Hillary Rodham Clinton is now fully back before the public, holding forth on her usual topics.

There are children's issues. There's the media: "like having your mother-in-law come for Thanksgiving." And, of course, there's health care. Mrs. Clinton, who gave a lecture on health care — though she is now prepared to take "a more incremental approach", rather than trying to ram socialized medicine down our throats one more time. And she swears her husband is still committed to it as well.

We'd better be prepared to take her word for it.

Because it seems that what Mrs. Clinton wants in the way of a health care proposal, Mrs. Clinton gets. Take school prayer, for example. The ballots giving Republic­ans a stunning congressional victory in the Nov. 8 election had scarcely been counted when the presi­dent declared himself agreeable to legislation on the school prayer amendment to the Constitution pro­posed by incoming House speaker Newt Gingrich. The president was at Mr. Clinton's mouth before his wife told him to task — in a public state­ment from Indonesia, insisting the president must stick to his ideological guns.

What's more, she report­edly gave him a thorough tongue-lashing when she got home — at a staff meeting, in full hearing of his aides. It wasn't long before Mr. Clinton had changed his tune on school prayer.

The unseemliness of Mrs. Clinton's open dispar­agement of her husband's political move has gone largely unremarked. Most of the press has been much too busy, and the media's effort to keep Sen. Jesse Helms from the chairmanship of the Senate Foreign Relations Committee because of some disrespect he showed the presidency. But Mrs. Clinton's disrespect is a far greater thing. Not to imply that first ladies are obliged to kowtow to their husbands. They ought not, nor have they ever — despite Hillary Clinton's nar­row-minded feminist interpretation of her predecessors' public demeanor. But there is a good reason why previous first ladies have reserved their wifely rebukes for private moments. They have always been keenly aware that it was their husbands, not they, who ran for office and got elected. And they have recognized the wisdom — indeed, the necessity — of elected officials being accountable to the public at large.
President Clinton is concerned about the state of the nation's defenses. In fact, following the recent announcement by Secretary of Defense William P. Perry that one quarter of the U.S. Army is in a severely reduced state of readiness, Mr. Clinton became so concerned that he held a Rose Garden news conference yesterday to announce an additional $25 billion in defense spending over the next six years. Let others brandish the budget knife: The president will stand firm against them as he did on this December day, surrounded by the Joint Chiefs of Staff and the flags of the armed services. "I still believe the people of this country expect us to do right by our men and women in uniform and to maintain our readiness," he said.

Well spoken, Mr. President. The country expects exactly that. Unfortunately, due to the actions of this administration, that is not what the country is getting.

The U.S. military, which performed so proudly and with such generosity of task during the U.S. War, has been underfunded and demoralized during the two years of this presidency. The money has dried up, but this has taken place in the absence of any serious thought as to what the armed forces might be reshaped to use better. Essentially, we have returned the scaled-back structure of a force that would properly cost scores of billions more than we are spending. At the same time, the role of the armed forces have been expanded into such areas as peacekeeping and nation-building in Somalia, Rwanda, Haiti, and Yugoslavia.

Given these conditions, it comes as a great surprise that Mr. Perry is pointing to readiness problems. Training suffers, maintenance suffers. Last year in the U.S. Army Europe found its operations and maintenance underfunded by 25 percent, resulting in a 12 percent cut in tactical training. In October, three carrier wings and half a dozen long-range naval patrol squadrons were grounded because the Navy had run dry for fiscal 1994. Research and development suffers too.

So can Americans take heart now that the commander-in-chief has scolded the Pentagon and the Republican leadership? If this is a step in the right direction, it is a small one indeed. And, chances are it may have been prompted more by the desire to pre-empt the Republicans' tough-on-defense line in the 104th Congress than anything else.

Republicans point out that the current Pentagon budget is $252 billion, and even with the money Mr. Clinton promised Thursday, it will still drop next year to $246 billion. That's $74 billion less than the budget proposed by the Bush administration for 1995.

It is also worth noting that $15 billion of the new money promised is located in years five and six, 2000 and 2001. In other words, it's fantasy money, plucked out of a dream budget. (Why project this $25 billion increase in defense funding in 2000 and 2001? In Washington, budgeting is a five-year sport. Could it be because Mr. Clinton wanted a more impressive-sounding number than he was willing to cope with in reality?)

As a matter of fact, there is plenty of real money to be found in the existing defense budget, as Rep. Tillie Fowler noted Tuesday on the page opposite. In 1994, the Pentagon will be spending $17 billion to $18 billion on defense research and development, far more than the amount it is mainly fund overhead expenses and pay lawyers; "defense conversion" for companies that actually downsized years ago; peacekeeping and humanitarian assistance; security for the Summer Olympics and the World Cup; as well as contributions to the Japanese American Museum, AIDS research and the Hawaian Volcano Observatory.

Shouldn't we be spending some of that money on weapons, soldiers and training instead? We should. And it really isn't good enough merely to seem to be doing so.

**Picking leaders**

It's leadership time in Washington, and given the epoch-making result of the November elections, it's fair to say that both parties are in serious need of the best they can get.

House Democrats have chances for leadership positions in the 104th Congress did not exactly come as surprises: Richard Gephardt will be minority leader, David Bonior will be whip, and Vic Fazio will be chair of the minority caucus. Still, the race for the top two slots, which featured challenges by more conservative members of the Democratic caucus, was instructive.

Charlie Rose sought the minority leader's job, and Charles W. Stenholm sought the whip's position. They gathered 58 and 60 votes respectively. It's clear from those tallies that House Democrats remain sharply divided. More than 25 percent of the caucus was sufficiently conservative to vote for a major disruption in the status quo (a handful going so far as to contemplate switching to the Republican side). Even a number of supporters of the victors, such as James P. Moran, voiced concerns about the need for the leadership to move to the center. Indeed, since no one has plausible advanced the case that the November elections results vindicated liberal positions on issues, the party will have its work cut out for it in reconnecting with the American mainstream. The notion that Democrats hit bottom in November in terms of their theoretical congressional strength is a dangerous illusion for them to maintain.

In addition, the top two slots in the GOP House and the top slot on the GOP side in the Senate have never been the least bit in doubt. Reps. Newt Gingrich and Dick Armey and Sen. Robert Dole faced no opposition.

Still, the trend of more conservative members of the House, very much a place of personal relations among individuals. Still, this contest does have an ideological component. Mr. Lott's bid is widely understood as an effort to give a louder voice to the more conservative members of the Senate. The Senate not only has more Republicans in the 104th Congress; the Republican side, on the aggregate, will be significantly more conservative.

On the House side, a similar difference emerges in the three-way contest to head the Republican Policy Committee. Christopher Cox is in a race with Jim Kolbe. On the issues, Mr. Cox's views are closely aligned with those of Mr. Gingrich, Mr. Armey, and, once again, mainstream House Republicans. (Mr. Cox also has one of the best legal minds in the House.) Mr. Kolbe is a notch or two to the left on substantive matters. On substance — and also because GOP unity in the House would be better served — Mr. Cox would be a good choice.

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The most intriguing race in the House is the three-way contest for whip. Tom Delay, Robert S. Walker and Bill McCollum are competing. What is distinctive here is that on the issues, the three are nearly indistinguishable: They all possess sterling conservative credentials and they each have done much to contribute to the position of preeminence the GOP will enjoy in the House. It's an embarrassment of riches. Any of the them would be good.
jobs to foreign competitors who have gained easy access to American goods, creating additional jobs in the United States.

Bringing aside complaints by critics that it would subvert America's sovereignty and lead to job and income losses, the Senate approved the pact commonly known as GATT and kept intact President Clinton's unbroken string of trade-policy victories.

Voting first by a 68-32 margin to defeat a budget point of order that could have sunk the bill, senators then voted by an even larger 76-24 spread to enact it into law. The president is expected to sign the legislation next week.

"We cannot isolate ourselves from the rest of the world," said Senate Republican Leader Bob Dole of Kansas. "We want to put up a big 'Open for Business' sign in America...."

Congressional passage of GATT the General Agreement on Tariffs and Trade means that 34 of the 123 nations that originally signed the pact have now given it final approval.

Many countries, including Japan and the European Union nations, have waited to see what the United States would do before proceeding with conclusive action on their own.

American failure to ratify GATT would have delivered a staggering blow to world trade. Without U.S. participation, there would have been little point to continuing GATT in its current guise.

Larry Chimerine, head of the Economic Strategy Institute, said that GATT, when it goes into effect fully in 2005, will probably add about $30 billion a year to the U.S. economy.

Some industries will gain jobs, Chimerine said, some will lose. The textile industry will be hard hit, while steel and semiconductors will be harder pressed to compete against foreign manufacturers.

The winners are expected to be in industries such as furniture-making, primary metals, processed foods, aircraft, and machinery and equipment manufacturing.

Sen. Daniel Patrick Moynihan, D-N.Y., the departing Finance chairman, said that GATT would enrich the U.S. economy by up to $200 billion over the next 10 years and provide as many as 700,000 jobs.

But opponents, led by Sen. Ernest F. Hollings, D-S.C., claimed the trade regime sanctioned in the new pact does little to correct unfair practices by America's larger trading partners and could lead to as many as 3 million job losses.

In the last 15 years under the old GATT agreement, Hollings contended, the United States has lost 3.2 million jobs to foreign competitors who have gained easy access to American markets while barring American products from their own.

"We have lost jobs," Hollings said. "And the average (American) worker who has got a job is making 20 percent less, in real dollars."

On the final 76-24 vote, Democrats backed GATT by a 41-13 margin while Republicans supported it by a 35-11 margin.

The new GATT agreement is an expanded version of earlier trade pacts that have set the rules of commerce since 1947 for most of the world's manufacturing powers.

This GATT is the eighth in a continuing series of agreements. Throughout the process, more nations have been brought into the pact and more trade barriers have been lowered, interlocking most of the world in an economic embrace that grows tighter year by year.

Despite the rise of the Japanese economy and the revival of western Europe, the United States remains the world's largest exporter. Fully one-fourth of American output is devoted to exports. This country accounts for 12 percent of all the world's exports.

"Trade clearly benefits us more than any other economy," said Sen. Thad Cochran, R-Miss. "We gain the most from lower trade barriers and from the elimination of unfair trade practices by other countries."

In addition to requiring lower tariffs, the new GATT establishes a stronger forum called the World Trade Organization to arbitrate trade disputes and insist on faithful adherence to trade rules.

Critics charged that the WTO would undercut American sovereignty and force the United States to undo environmental and employee protections if they conflicted with foreign entry to American markets.

But GATT supporters insisted that this was not the case, and that the trade-dispute resolution process would actually help American traders by compelling other countries to relax non-tariff obstacles to trade such as discriminatory licensing and inspection requirements for imports.
Erratic Clinton always seems to fly right on trade votes
By Angie Cannon
Knight-Ridder Newspapers
WASHINGTON President Clinton takes a lot of knocks about lacking achievements, but when it comes to free trade, he's been a winner.

Final congressional approval Thursday of the new world trade treaty under the General Agreement on Tariffs and Trade, along with the North American Free Trade Agreement last year, gives Clinton two big trade victories to crow about, even though the two pacts were negotiated mainly by his Republican predecessors.

And Clinton, who has looked glum since the Nov. 8 Republican landslide, badly needed the GATT triumph to show that he has some political muscle left.

Judge Morris, senior trade policy director at the National Association of Manufacturers, said, "The administration deserves high praise for understanding that their job was to knit the world back together using the threads of commerce when the world in a sense fell apart with the end of the Cold War."

Clinton has put economic concerns at the heart of his foreign policy. He says creating jobs at home requires opening foreign markets to U.S. exports and businesses.

In the uncertain post-Cold War world, Clinton says, the United States cannot find security by withdrawing out of fear. Instead, the U.S. role in the world is tied to knocking down trade barriers. NAFTA eliminates trade barriers among the United States, Mexico and Canada. Now there is talk of adding Chile to the pact.

Besides NAFTA and GATT, Clinton has pushed to open trade with Asia during the recent Asia-Pacific Economic Cooperation forum in Indonesia. Asia is the United States' largest trading partner. Total U.S.-Asia trade exceeds $374 billion.

"The clearest example of success for the president in the international arena has been the success he has had on trade," said Rep. Lee H. Hamilton, D-Ind., outgoing chairman of the House Foreign Affairs Committee. "GATT, APEC, NAFTA, they have all been stunning achievements. He was right in his leadership on it."

At the same time, Clinton's free-trade successes are the best example of his developing a bipartisan coalition a theme that helped get him elected in 1992. The president spent this week lobbying both Democratic and Republican lawmakers to pass the trade measure.

"The scars still exist among the blue-collar people left the Democratic Party," said Mark Anderson, a trade analyst with the AFL-CIO. "One message from the election is the incredible anxiety and insecurity people feel about losing their jobs. It is clear that a lot of blue-collar people left the Democratic Party."

"The passage of NAFTA and GATT is a good start," Spence said in a statement. "Nonetheless, this initiative... is a good start."

Deputy Defense Secretary John Deutch was more effusive: "Let me say from the perspective of the military and the civilians of the Department of Defense, this presidential initiative is very, very welcome indeed."

Clinton asks Congress for $25 billion to help Pentagon
By Michael E. Ruane
Knight-Ridder Newspapers
WASHINGTON Hit by unexpected crises, defense-budget shortfalls and reports of Army unreadiness, President Clinton announced Thursday that he was asking Congress for an extra $25 billion to help the Pentagon's beleaguered bank account.

The money would be spread over the next six years, the president said, and more would be requested later to replenish funds exhausted this year on military operations in the Caribbean, the Balkans and the Middle East.

Though the president said the action showed his "personal commitment to... the highest training standards for the military," it came two weeks after the combat fitness of several large Army units was found wanting, and Republicans charged that the administration was in "denial" over the weakened state of the nation's defense.

Republican reaction to the announcement seemed muted Thursday. It was "a welcome, albeit modest, first step," said Rep. Floyd Spence, R-S.C., the likely chairman of the House Armed Services Committee who last month assailed the administration over military unreadiness.

"We have a readiness problem now, and we will have a readiness problem after the president's initiative is implemented," Spence said in a statement. "Nonetheless, this initiative... is a good start."

Deputy Defense Secretary John Deutch was more effusive: "Let me say from the perspective of the military and the civilians of the Department of Defense, this presidential initiative is very, very welcome indeed."

He said the action would bolster military readiness, give more support to the average person in uniform and allow expected cuts in modernization programs to be less drastic. The White House hinted, however, that the initiative could involve cancellation of "lower priority weapons systems." It gave no details.

Clinton made his announcement in the White House Rose Garden, accompanied by the Joint Chiefs of Staff and flanked by Defense Secretary William Perry and the chairman of the joint chiefs, Army Lt. Gen. John Shalikashvili.

The president said that, in addition to his call for the $25 billion, he was backing the full allowable pay raise for people in the service and more money for "quality of life" programs. Perry had announced on Nov. 10 that he wanted an extra $2.7 billion for such military housing and social programs over the next six years.
Clinton also said he would ask Congress next year for even more money to "reimburse the military for its unanticipated expenditures" this year. He cited the operations in Haiti, Kuwait, and the Balkans. The administration said that amount would be over $2 billion. An extra $1.7 billion already has been requested and partly funded for this year.

It was paying for operations like Haiti and Kuwait, officials said, that caused the Army to weaken the three division that recently received low readiness ratings.

The First Infantry Division, Mechanized, at Fort Riley, Kan.; the Second Armored Division, at Fort Hood, Texas, and the Fourth Infantry Division, Mechanized, at Fort Carson, Colo., all received the next-to-lowest readiness ratings, the Army said last month.

(EDITORS: NEXT GRAF OPTIONAL TRIM)

Though the administration took the heat then, Clinton seemed to suggest Thursday that Congress bore blame, too. He urged legislators "to quickly approve this supplemental request so that we do not face the kind of problems we confronted this fall."

(EDITORS: STORY CAN TRIM HERE)

Deutch put it more bluntly. "If we don't have early action by Congress on the supplemental, the same shortfall ... in those three Army divisions will occur again."

(EDITORS: END OPTIONAL TRIM)

But Sen. Strom Thurmond, R-S.C., retorted: "This is not simply a budget matter, and money alone will not fix the problem. Readiness is declining because the armed forces have been reduced to a low level and then overextended."

"The administration did not budget adequately for defense, and ... the administration used operation and maintenance funds for a series of unwise ventures involving military forces."

Tiny Bosnian Serb army holds mighty NATO hostage to fortune

By Robert A. Rankin
Knight-Ridder Newspapers

WASHINGTON For four decades the North Atlantic Treaty Organization stood as a vital shield, protecting Western Europe from the imperialist Soviet Union.

Today NATO stands utterly helpless against a tiny ethnic army's brutal assault on its near-defenseless neighbors in bloody Bosnia.

And so the question resounds across the Atlantic: If the collective might of the United States and Western Europe can't stop a brushfire war in Bosnia, then what good is their grand alliance? What good is NATO?

"It's almost reached the point where NATO may be irrelevant," Sen. Bob Dole, R-Kan., said this week. "If they can't do what they're prepared to do, then what is their real purpose?"

A growing school of thought contends that NATO may be a relic from a time that's past, a military instrument no longer fit to fight the battles of the emerging post-Cold War era.

"I would phase it out over the next five to 10 years," said Ted Galen Carpenter, director of foreign policy studies at the Cato Institute, a libertarian think tank.

Maintaining America's commitment to NATO and keeping 100,000 U.S. troops in Europe costs U.S. taxpayers $90 billion a year. Carpenter contends that West Europeans have a larger collective economy than ours and can afford to pay for their own defense. He wrote a book published this week titled "Beyond NATO" and subtitled "Staying Out of Europe's Wars."

But the real problem is not NATO itself; it is that the world around it has changed. NATO's member states no longer face a common enemy and so have lost the clarifying unity of common purpose. As a military instrument, NATO remains matchless; confusion and dispute over how to use it are what lie at the heart of today's debate.

"The real issue here is not an institutional one about NATO or the U.N.," said Bob Putnam, director of the Center for International Affairs at Harvard University's John F. Kennedy School of Government.

"The real issue is (that) we and our closest allies have had a fundamental disagreement," Putnam said. "In the past, the shadow of the bear off to the east made everybody gulp and compromise. The bear has disappeared, at least for the time being, and therefore people may be less willing to compromise. That may be the future although I hope not."

President Clinton leads America's bipartisan foreign policy establishment in insisting that NATO remains essential to European stability and that U.S. leadership of it is vital to America's global security.

Indeed, at several European conferences this weekend, Clinton and his top sides are pressing to expand NATO membership up over time, seeking to anchor East Europe's fledgling democracies, such as Hungary, Poland and Czechoslovakia, firmly in the West by integrating their militaries into NATO.

Most Washington insiders share Clinton's vision.

"I would hope we don't rethink the importance of NATO and the U.S. role," said Sen. Richard G. Lugar, R-Ind., perhaps the most influential Republican foreign policy thinker in Congress.

But a rising chorus of skeptical outsiders argues that blind allegiance to the NATO ideal threatens to entangle America in more bloody sideshows, for they believe that Bosnian-like ethnic warfare is the most likely threat to European stability in the emerging post-Cold War era.

"Hungary is at the top of the list for early (NATO) admission. Hungary has ethnic disputes with no fewer than three neighboring states over the treatment of ethnic minorities," Carpenter said.

"I don't want to see this country involved (via NATO) in a conflict between Hungary and Romania over mistreatment of the Hungarian minority in Transylvania" (where 2 million ethnic Hungarians live under harsh Romanian rule), Carpenter said.

Widespread public sentiments resembling Carpenter's are precisely what crippled NATO in Bosnia. None of the NATO powers, despite their moral revulsion at the Bosnian Serbs' murderous "ethnic cleansing" of Bosnia's Muslims, was willing to pay the price necessary to stop it.

"They had moral interests at stake. Nobody wants to stand by and look at the horrible mess. ... They wring their hands and say, 'This is awful; we must do something. ... But they don't want to pay as much in blood and treasure as they would if their own security were at stake," said Richard Betts, director of security studies at Columbia University's School of International and Public Affairs.

The result was a blundering, ill-defined mess of a U.N.-NATO Bosnia policy that failed. The United Nations sent in 24,000 "peacekeepers" to provide humanitarian relief, but not to impose peace. NATO was charged with protecting the U.N. troops, but NATO could not act without U.N. approval, which rarely came.

Washington wanted NATO to use "robust" air strikes to drive the Serbs to negotiate peace, but refused to put any U.S. troops on the line as peacekeepers. Meanwhile, America's closest allies Great Britain, France, Germany,
The ugly unraveling of NATO's internal consensus over Bosnia illustrates why some argue that NATO is no longer the right tool for asserting America's foreign policy interests in Europe. They say NATO's member nations need it again, added Betts, who said that Russia easily could turn aggressively nationalist at any time; so, history suggests, might Germany.

Stephen Cambone of the conservative Center for Strategic and International Studies said, "NATO does have a future, but not if it's going to be held hostage to the kind of mandate-and-implementation process we have seen in Bosnia. NATO commits to future actions, Cambone said, its member nations must agree on the threat and the proper response. Then, to secure support for any action from skittish European publics, NATO should ask the United Nations to authorize its plans in very specific terms but not let the United Nations manage them. Sounds great, but what if Washington, London, Paris and Bonn don't see the new era's threats the same way as in Bosnia?"

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(EDITORS: STORY CAN END HERE)

The ugly unraveling of NATO's internal consensus over Bosnia illustrates why some argue that NATO is no longer the right tool for asserting America's foreign policy interests in Europe. They say NATO's member nations disagreed on Bosnia because they hold distinctly different strategic stakes there.

That does not necessarily mean NATO is an irrelevant anachronism, analysts and policy-makers hasten to add but it might mean that.

"These are issues that really need to be raised and not taken as articles of faith," said William W. Kaufmann of the Brookings Institution, a liberal think tank. "It would still like to keep the organization around, on ice as it were, in case we need it again," added Betts, who said that Russia easily could turn aggressively nationalist at any time; so, history suggests, might Germany.

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"These are issues that really need to be raised and not taken as articles of faith," said William W. Kaufmann of the Brookings Institution, a liberal think tank. "It may be that NATO is worthwhile. If the Europeans don't want us, whether or not we're members of NATO is not terribly relevant. If they want us, I don't know how much we really need the NATO organization. . . . I personally think it's beginning to get in the way. But I think it should be thought through."

------------------------------------------

Numbers smash the stereotypes of who will be most hurt by welfare reform

By Vanessa Gallman Knight-Ridder Newspapers

WASHINGTON Most welfare mothers have one or two children, not three or four. Most welfare recipients first gave birth when they were adults, not teen-agers.

Most people on welfare are children, not adults. Most adults on welfare are white or Hispanic, not black.

Reforming the nation's welfare system will be a top priority for the new Congress. Virtually everyone liberals and conservatives, Democrats and Republicans, the middle class and the welfare recipients agree that the program has big problems.

But there is also little doubt that many people have only a vague notion of the realities of the 14 million people on welfare, two-thirds of them children.

"Most of the things people think about welfare recipients are wrong," said David Kass of Children's Defense Fund, an advocacy group for children. "And stereotypes lead to policy decisions that could ultimately hurt children. Because when people think about welfare, they don't think about children. They think about coming down on the parents."

Consider Edwin Fields, a welfare recipient who doesn't fit the stereotype. A 34-year-old mother of a 9-year-old son, she was not a teen mother and has worked off and on in nursing and child-care jobs.

Yet she is typical of the mothers receiving monthly cash benefits: caught in a zigzag struggle to break free of a system never designed to promote self-sufficiency.

Fields has been on welfare four different times in nine years, using it in between jobs she said were usually lost because of child care or transportation problems. The Alexandria, Va., resident now attends state-run classes to refresh job skills, and plans to get licensed to care for children in her home.

"I know a lot of people say people on welfare are lazy. But I've been working since I was 13," said Fields, who had come early to the class for some quiet time on the computer. "You feel good when you work and make money and take care of your family. But you have to do what you have to do to take care of your child."

The national debate over welfare reform primarily targets Aid to Families with Dependent Children (AFDC), a $22 billion program begun in 1935 to give widows with children limited cash support until they remarried.

The best way to care for poor children is at the crux of the reform debate. AFDC is now paying out benefits for one child in every seven in this country.

One survey after another reveals public disdain of a welfare system seen as unfairly burdening taxpayers and making little dent in the poverty rate.

Both blacks and whites strongly believe most welfare recipients "do not deserve" the benefits, according to a survey by four liberal social advocacy groups. And most surveyed said the majority of recipients "never get off welfare."

Following are some of the myths about AFDC recipients, along with the realities that do not make the challenge of reform any easier:

MYTH: Welfare mothers have lots of children.

REALITY: More than 80 percent of welfare families have only one or two children.

The size of welfare families has been decreasing.

But illegitimacy remains a major issue in the reform debate. The focus has shifted from the number of never-married, single mothers.

The percentage of never-married mothers on AFDC has more than doubled since 1976, reaching 52 percent of the total in 1992.

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The increase reflects a national trend spurred in part by white, working women that resulted in a tripling in the number of never-married, single mothers.

Those unmarried mothers on AFDC are less likely to become self-sufficient. And it is harder to collect child

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support from never-married fathers.

Policy analysts have been bombarding lawmakers with
dueling studies over whether or not welfare benefits
actually encourage out-of-wedlock births and a host of
other social ills.

Those who say yes want to stop giving mothers extra
benefits for new children to encourage them either to find
husbands or stop having babies they can't afford.

Opponents see unmarried mothers as a sign of the changing
American family and say they need support rather than
punishment.

MYTH: Most welfare recipients are black.
REALITY: In this case, blacks and whites are about
equal.

Whites make up 38.9 percent of welfare recipients;
blacks 37.2 percent.

But a higher proportion of blacks lives in homes
receiving government cash assistance, primarily AFDC: 29
percent of blacks compared with 8 percent of whites.

Blacks are still the majority of welfare mothers who
never married, but their percentages dropped from 71 to 57
percent over the last two decades. That compares to an
increase from 18 to 27 percent for whites.

Some analysts warn that white unmarried mothers have
reached the point where blacks were in 1968 when a
national commission warned of family deterioration and
crime. That specter fuels some of the worry about welfare
contributing to moral decay.

(EDITORS: NEXT GRAPH OPTIONAL TRIM)

Race has always been an undertone in the welfare reform
debate. Liberals have complained that politicians have
always put a black face on "welfare queen" stereotypes.

Those complaints may get louder as the debate intensifies.

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MYTH: Welfare mothers are teen-agers.
REALITY: Teen mothers make up only 8.2 percent of the
welfare rolls. Teen mothers are still a major concern for
those worried about breaking any cycle of dependency. Half
of unwed teen mothers get on welfare by the end of the
first year after giving birth; 77 percent are on the rolls
five years later.

Also, 34 percent of adult recipients started on welfare
as teens. These women are poorer, less educated and less
likely to marry than those who started welfare as adults.

And even though these mothers work just as much as others
on welfare, they earn less.

Some analysts say teen mothers require intensive
therapy: programs for job-training, parenting class,
remedial education. Others promote "tough love:" no cash
benefits and either group homes for them and their babies
or orphanages for the children. That discourages teen
parenthood and sets a standard of values, they say.

Still others say it would be more cost-effective to
focus on the biggest bulk of the AFDC rolls: the average
recipient who is 31 years old, has school-aged children
and some work experience. Help that mother become
dependent, they say, and establish a role model for
the younger generation.

MYTH: Welfare mothers stay on the rolls continuously for
years and refuse to work.

REALITY: Most welfare mothers are on and off welfare.
Many try to work.

Within two years, 70 percent of recipients get off
welfare, primarily to work. But one of the greatest
challenges to reform is that a lot of them get back on
welfare within a few years.

Major reasons include job loss, the high cost of child
care and the need for medical benefits often not available
with low-paying jobs.

Of those who leave welfare, 45 percent return within a year.
At least one-third of single women on welfare worked
some time during a year, often in part-time or part-year
jobs. Federal officials think many more don't report that
they work so they can hold on to some benefits.

Younger women are just as likely to work as older
women; women with children under age 6 work as much as
those with older children.

Still, the average total family income earned by
welfare recipients in 1992 was only $6,865, low enough to
qualify for various forms of government aid.

Part of the welfare debate will focus on how to help
those who tend to "cycle back" into the system.

(EDITORS: NEXT 2 GRAPHS OPTIONAL TRIM)

Some lawmakers and analysts propose ensuring them child
care and medical benefits, letting them keep more benefits
even as they work, and training them for 21st-century
jobs.

Others say the mothers would have a stronger incentive
to find long-term employment if they knew cash benefits
would end within two years or in as little as 60 days. In
the meantime, they would work off their benefits in
community service jobs that could teach some skills and the
value of work.

(EDITORS: NEXT GRAPH OPTIONAL TRIM)

Ironically, the group not targeted by any welfare
reform proposal is that hardcore 15 percent that stays on
welfare for five years or longer without a break in aid.

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MYTH: The monthly benefit checks are generous.

REALITY: The average check for a family is $373.

That totals $4,476 a year far below the federal
poverty level of $11,522 for a family of three. Of course,
AFDC benefits were never intended to be enough to
compensate for a job only enough to keep people from
starving.

Maximum benefit amounts vary by state, ranging from
$120 a month for a family of three in Mississippi to $923
in Alaska. But there has been no increase in the average
national benefit since 1990.

With inflation, today's welfare check buys about half
as much as it did in 1976.

Even with food stamps, the AFDC family lives below the
poverty line. Just one-fourth of welfare families receive
any government housing assistance.

A lot of the welfare reform debate has dealt with plans
to cap benefits, such as denying mothers the average $64
monthly increase available for an additional child.

Supporters say it would discourage childbearing. Opponents
argue that this would only hurt children and lead to
increased hunger and homelessness.

There are also plans to limit the total federal money
set aside for assistance, as one way to control the
burgeoning costs of the program.

Currently, any family that qualifies can get benefits.

Under this proposal, if the money runs out, it's out.

Then, proponents say, needy people would do what Americans
used to do: turn to churches, charities and family.

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Sen. Jesse Helms ducks pack of reporters, declines to answer questions
By John Monk Knight-Ridder Newspapers
WASHINGTON A media-spooked Sen. Jesse Helms, R-N.C., walked away from a pack of reporters Thursday,
ducked into a Senate elevator and declined to answer questions
about events of the day.

"I'm not going to be interviewed without my own tape
recorder," Helms said, as he brushed past about a dozen
reporters and television cameras.

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Democratic leadership when the 104th Congress convenes on military bases.

The new Senate minority is going to have its hands full against what he himself the other day called a "saliva test of purity" to remain acceptable within the club.

Conservatives like Simpson are obliged to defend themselves from a moderate is like calling a card-carrying liberal like Ted Kennedy a moderate on the Democratic side.

But everything, in politics as in life, is relative, as in the old vaudeville gag: "How's your wife?" "Compared to what?" The Grand Old Party has moved so far to the right in the last 20 to 30 years that good upstanding conservatives like Simpson are obliged to defend themselves against what he himself the other day called a "saliva test of purity" to remain acceptable within the club.

The poverty of genuine Republican moderates in the new Senate is going to create a serious problem for the new Democratic leadership when the 104th Congress convenes on Jan. 4. With only 47 Democrats in the ranks, and some of them conservatives who cannot be relied on to give loyal support to President Clinton's legislative agenda, the new Senate minority is going to have its hands full achieving anything for him, let alone blocking Republican initiatives.

Sen. Chris Dodd, as a candidate to succeed retiring Sen. George Mitchell of Maine as the Democratic leader in the Senate, spoke optimistically the other day that there would be Republican moderates willing to do business on such key issues as welfare and health care reform in the coming Congress. But there aren't many who fall into that category.

During this year's health care debate, Republican Sens. John Chafee and David Durenberger took the lead in creating a "mainstream" group to find a middle-road course that would win enough bipartisan support to get a bill. But the effort foundered and Durenberger, chased into retirement by personal financial irregularities, has been replaced by the voters of Minnesota with an unvarnished conservative in Sen.-elect Rod Grams. And one other sometimes moderate, John Danforth, is yielding his seat to conservative former Missouri Gov. John Ashcroft.

Chafee was easily re-elected on Nov. 8 from Rhode Island, one of the nation's most liberal states, and remains a key prospect for bipartisan cooperation with the Democrats. Others who qualify as moderates on their past voting records and styles include Mark Hatfield, an old Nelson Rockefeller supporter, fellow Oregonian Bob Packwood, William Cohen, Arlen Specter, James Jeffords, Nancy Kassebaum and, on some issues, Richard Lugar and John McCain.

But by and large the Republican Party no longer has a recognizable moderate wing in the tradition of Rockefeller, let alone any liberals of the sort represented by the late Jacob Javits and Clifford Case. The Democratic leadership in the Senate will be hard-pressed to court enough Republican votes to produce a respectable legislative record for Clinton in the next two years on any issues other than those, like trade, in which there is already substantial Republican constituency in the Senate.

The small band of modestly moderate Republicans may be more helpful to the Democrats in blocking conservative legislation that strikes them as excessive including bills raced through the House by the new right-wing speaker, Newt Gingrich, in the full flush of the conservative Republican sweep on Nov. 8 that elevated him to a powerhouse role in the legislative process. Dodd the other day expressed hope that the more deliberative processes of the Senate could lead to a tempering of House Republican zeal, with the help of Republicans who don't quite share it.

Unspoken is the Democratic hope and expectation that the new Senate majority leader, Bob Dole, will be of a mind to make sure that Gingrich doesn't run roughshod over him, and over fellow Senate Republicans, with the product of his ballyhooed "Contract With America," to which the Senate Republicans as a group were not a party. But the Democrats know that at a time when some Republicans think Alan Simpson isn't conservative enough, finding Republican moderates to side with them won't be easy.

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Nussle reveals plan for more oversight

Don’t Bust the Budget for GATT! read the literature from the Citizens Trade Campaign.

Indeed, the letter signed by Grassley said the true test of resolve for Harkin was to apply the tough budget rules even to important matters like GATT. Grassley and four other signers of that letter have since said they will vote for the waiver in order to allow GATT to pass this year, and Harkin fought Thursday to portray this as irresponsible, and his own position as that of a “deficit hawk.”

Grassley said the July 15 letter had been successful in glowing the Clinton administration to find many offsets to GATT, reducing the net revenue loss from $12 billion over five years to just $2.6 billion. Grassley said he was citing Congressional Budget Office estimates.

Employees who leave under other circumstances would be treated the same way, said Cardin, who also has been trying to work out some kind of severance arrangement for fired employees.

House Republicans committed to a one-third cut in staff for committees — Agriculture, Ways and Means — but Nussle emphasized that no such pledge was made to cut the number of administrative staff — people who play no role in legislation.

In fact, even the oft-criticized jobs of House elevator operators, who push buttons for more oversight
Jackson: Clinton hurting because he failed his base

The president has strayed from people and messages that got him elected, says the man who just might challenge him in 1996.

By DAVID YEPSEN
Registered Staff Writer

The Rev. Jesse Jackson said Thursday that top White House officials and Clinton advisers are giving President Clinton bad advice and keeping people away from Clinton.

"If we could give some advice, we would," Jackson said.

Jackson wrapped up a two-day trip to Iowa, during which he spent considerable time sending signals that he's thinking of running for president in 1996.

Because he's cut off from the White House, "all you can do is make public appeals if you can't give private counsel. Those who give private counsel to him, he's his consultants and pollsters."

"The Democratic Party spent, in the last two years, $46 million basically on public punditry" and ignored Jackson's advice to spend money to register the 8 million blacks in America not already registered to vote, he said.

Clinton's aides "have a paralysis of analysis," he said. "They've become millions off giving the daily dope sheet, which doesn't have a thing to do with the people's mood."

Back to the Agenda

Jackson, who has sought the presidency twice, said running is a difficult task and he would rather have Clinton get back to the party roots and messages that elected him. "Influencing him toward the agenda would be the first priority," Jackson said. "It would require the least energy."

Jackson made his comments in a meeting with Des Moines Register editors and reporters. He said Clinton is in trouble because he is neglecting those who elected him.

The Democratic losses in 1994 occurred because of "a demoralized, Democratic base. Labor worked real hard for labor law reform, and they got NAFTA and GATT. Cities were promised an economic stimulus ... they got none of that. Blacks were promised more justice and more access, they got the biggest crime bill in history. The base was demoralized. You have candidates running from the base, often threatening it rather than helping it."

"He fought fought for NAFTA, he fought for the crime bill, but he didn't fight for the economic stimulus package. Well, the crime bill and NAFTA did not inspire hope in his base. It didn't inspire hope among workers, city-dwellers or farmers."

Clinton's 1992 message of "putting people first worked, and it will work again. There are those around him who would rather push off the base. I hope he would not make this adjustment."

"At a Distance"

Jackson said there have been no top-level meetings of all factions in the Democratic Party to iron out differences. "I agree with 80 per cent of what party moderates want to do, he said, but he and the president "are at a distance."

During Jackson's Iowa trip, he made clear he is considering a run for the White House in 1996, either in the Democratic primaries or as a third-party candidate.

"What might happen? I'm not sure. I'm not ready right now to engage in the punditry about what might happen. I have to keep trying to state the case of conscience for the country and hope it will help influence the political direction. Running for me is a last resort, but I do know they are watching our activity."

The property-rights agenda

Concern about owners' rights should begin with the public's lands.

The rights of property owners constitute the new frontier in civil rights, according to the common wisdom. And Republican control of Congress will give new muscle to those unhappy over regulations that apply to use of their land, the wisdom holds.

The heart of the movement lies in the American West, where advocates extol the virtues of rugged, unfettered individualism while enjoying some of the most liberal subsidies — in water, power and resources — that the government provides to any-one, anywhere.

Advocates are most vocal about environmental regulations. Iowa's Dean Kleckner, president of the American Farm Bureau Federation, charges that "property owners across the nation have been deprived of the right to use their land because of wetlands regulations or enforcement of the Endangered Species Act."

It's unclear how far the property-rights pushers would go in freeing an owner's right to do as he or she pleases. Cleaning the slate of regulations and enforcements would allow Farmer A to poison the wells and, if the air of Farmer B, who lives downstream and downwind. It would enable the people in the house next door to operate an all-night, drive-up fast-food joint out of their kitchen, advertised with a 30-foot billboard on the front lawn. And the owners of the lakeside lot next to yours could uproot every tree and blade of grass, erect a tar-paper shack, raise mink and sell pelts from the front yard.

The difference between such behavior and bulldozing some wetlands or destroying wildlife habitat is a matter of immediacy. It just takes a bit more time for the latter to erode your quality of life.

Still, there is sound reasoning behind the defense of property ownership. Far too often, owners see their property taken without adequate compensation, or their lands stripped and wrecked by those who claim they wanted only to borrow it. The prime victim is the American taxpayer.

Americans own the national forests, but lumber companies rip off the trees for a fraction of their value. The same taxpayers own much of the Western rangeland, but local ranchers overgraze the dryland grasses and pay a fraction of the market rent. Miners move onto taxpayer-owned lands, extract the gold and silver and pay absolutely nothing to the owners for what they walk off with. A Canadian firm will net $10 billion in gold profits from a Nevada mine, but pay taxpayers just $5 per acre on 1,000 acres for the right to dig.

Rectifying these gross violations that have been sanctioned by Republicans and Democrats alike should be at the very top of the property-rights agenda. And taxpayers must insist that it gets done.
Senate overwhelmingly approves GATT
By Michael Kranish  Boston Globe
WASHINGTON A bipartisan coalition in the lame-duck Senate Thursday night approved a 124-nation trade pact that will cut tariffs, remove protectionist barriers and restructure many jobs and business practices.

After 68 senators voted to waive a budget rule, well above the required 60, the Senate approved the General Agreement on Tariffs and Trade by an overwhelming 76-24 margin. To the end, senators were deeply divided over whether the pact would create or cost jobs, but they agreed it was the biggest change in trade laws in a generation.

"This vote for GATT shows once again that our country is moving in the right direction, reaching out to the rest of the world and looking at the best interests of our own people," Clinton said from the White House South Lawn.

"We're going to have a big 'Open For Business' sign in America," Robert Dole of Kansas, the incoming Senate majority leader, said just before the vote.

The approval of GATT was the final act of the much-criticized 103rd Congress, and it came after the final vote of Sen. George Mitchell, the outgoing majority leader. The Maine Democrat did not run for reelection.

From dawn to dusk, Mitchell spent his final day fighting for passage of the measure, which he said would help Maine and the rest of the nation by boosting exports.

GATT will significantly change the way the world does business, with trade barriers lifted and protectionist measures removed. Tariffs will be reduced by an average of 38 percent. Clinton said the pact will create hundreds of thousands of jobs and boost family income by $1,700 per year, but critics maintained it will cost jobs and put U.S. sovereignty in danger.

Sen. Edward Kennedy and Sen. John Kerry, Massachusetts Democrats, voted for the bill, which is generally perceived as beneficial to the Bay State, partly because of the strength of the state's high-tech exports. Kerry, who announced his support of GATT on Tuesday, was among the most enthusiastic supporters on the Senate floor Thursday, saying the trade deal would be a giant tax cut and predicting "it will create hundreds of thousands of high-paying jobs."

Kerry cited Polaroid as one of numerous Massachusetts companies that he said would benefit from reduced tariffs in other nations.

Kennedy, in a statement, said "GATT will help many sectors of the economy to grow even more rapidly."


Jeffords said the pact is detrimental to his state's dairy farmers. In a speech on the Senate floor, he said negotiators had "given away the farm on GATT and I'm afraid Vermont's dairy farmers will suffer for it."

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The pact's chief opponent, Sen. Ernest Hollings, D-S.C., said the deal would not reverse America's economic decline, as proponents contend. The textile industry in Hollings' state is expected to lose trade protection under the deal.

"This is the gravest mistake that the U.S. has ever made on economic policy," said Hollings, who single-handedly delayed the GATT vote for nearly two months.

But proponents, who ranged from the liberal Sen. Barbara Mikulski, D-Md. to the conservative Sen. Phil Gramm, R-Texas, said the United States was dealing with the reality of a world that does business based on foreign trade. There was general agreement that the pact would restructure employment and business practices, with jobs in industries such as textiles in danger while new opportunities would open in many areas such as high-tech.

In the industries that win under the deal, companies are expected to add new jobs to make products that previously could not be sold in foreign markets.

Supporters of the deal said that the North American Free Trade Agreement approved last year has created far more jobs than it has cost, contrary to the assertion of Ross Perot, who had predicted a "giant sucking sound" of jobs going to Mexico. Perot had threatened to form a third party if GATT was passed.

Much of the debate Thursday focused on whether the United States would be at the mercy of smaller nations that would be part of a new organization called the World Trade Organization.

Opponents said the WTO would be a "faceless bureaucracy" that would make secret decisions against the interests of the United States. But proponents cited an agreement engineered by Dole that would allow a five-judge panel to review the WTO's decisions and provide recommendations about whether the U.S. should withdraw from the deal.

Preceding the vote on GATT, the Senate was required to come up with 60 votes to waive a budget rule. That rule requires that Congress provide a tax hike or spending cut to pay for the loss of revenues, which some say would occur as a result of the tariff cuts under GATT. Given the deficit-cutting mood of Congress, there was some sentiment against a measure that could increase the debt.

Sen. Robert Byrd, D-W.Va., said the administration had come up $14.5 billion short in its effort to offset the loss of tariff revenues.

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Meanwhile, Sen. Richard Shelby, R-Ala., speaking on the floor for the first time since changing parties, demonstrated that he would not follow the leadership of either party on GATT. Shelby said he voted against waiving the budget rule because GATT was another "budget-straining piece of legislation."

Even as senators prepared to vote on GATT, several said the next round of world trade negotiations should begin immediately to deal with unresolved problems. Sen. Bill Bradley, D-N.J., a strong GATT supporter, said a new round of negotiations is needed to deal with many changes that have occurred in the eight years in which this pact was put together. Bradley said that everything from the growth of service industries to the impact of business on the environment should be dealt with in the next round of negotiations.

But given the length of the last round beginning in the Reagan presidency and ending under Clinton it was far from clear whether political leaders were eager to begin again anytime soon.

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Sen. George Mitchell named as special adviser on economic development in Ireland

By Kevin Cullen Boston Globe

On his final working day as majority leader, Sen. George Mitchell of Maine was named Thursday by President Clinton to be his special adviser on economic development in Ireland.

Mitchell's post, which he will assume next month, is aimed at helping to cement the general cease-fire in Northern Ireland that has held for three months. His first task will be to oversee a trade and investment conference that the White House will sponsor in Philadelphia in April.

The adviser's position is part time and unpaid, and Mitchell, who has many lucrative job offers waiting, is not expected to hold it for long. But the White House will keep the promotion of peace in Ireland a foreign policy priority.

Mitchell, the grandson of Irish immigrants, has had a lifelong interest in the country. But, unlike many other Irish-American politicians, he comes to the job without an obvious agenda and cannot be easily accused of bias toward either mostly Catholic nationalists who aspire for the unification of Northern Ireland and the Irish Republic, or mostly Protestant unionists who want Northern Ireland to remain part of the United Kingdom.

In an Oval Office ceremony, Clinton said he was taking the unprecedented step of giving an Irish portfolio to someone other than an ambassador or State Department official because "there must be a peace dividend in Ireland for peace to succeed."

"At this hopeful and historic moment, it's essential to create more economic opportunity in a region whose prospects have been so blighted by bloodshed," said Clinton.

Mitchell said the American role in Northern Ireland "will continue to be one of supporting the efforts of the British and Irish governments."

Mitchell's appointment is the clearest signal yet that the administration views its role in Northern Ireland as fostering economic development rather than seeking direct political intervention. Still, the appointment has considerable political ramifications, made clear by the stipulation that Mitchell will promote development on both sides of the border.

Publicly, the Irish and British governments welcomed Mitchell's appointment. Privately, Dublin seemed especially pleased. An Irish government official said Mitchell's position and influence proves the Clinton administration is committed to keeping a guiding hand on the burgeoning peace process.

The Irish also view the appointment as more evidence that Washington is treating Dublin and London with equal esteem. Historically, American governments have deferred to the view of their biggest ally that Northern Ireland was a British domestic problem.

The Clinton administration, however, has sought to play a more activist role, and has sided more with Dublin than London on the strategy of quickly integrating the Irish Republican Army and its supporters into the political mainstream. The British, wary of losing the support of unionists, insist that concessions must be given more gradually.

Mitchell's appointment came on the same day the British government announced it would hold exploratory talks with Sinn Fein, the IRA's political wing, next Wednesday. On that same day, the Sinn Fein leader, Gerry Adams, is scheduled to hold talks at the White House with National Security Adviser Anthony Lake. The White House meeting, denied to Adams in September, is considered a reward for the cease-fire holding.

In tapping Mitchell, meanwhile, Clinton can argue he has kept his campaign promise to appoint a "special envoy" to Northern Ireland. While Irish-American activists had wanted that envoy to mediate stalled political talks, others, including John Hume, the moderate nationalist leader, and U.S. Rep. Joseph P. Kennedy 2nd, D-Mass., have advocated the appointment of an economic envoy.

In an interview, Kennedy said the Mitchell appointment will make it hard to dismiss American involvement as intrusive.

"The timing is perfect and so is the choice," said Kennedy. "You have a guy who is a skilled negotiator and who will give Congress the confidence to make a commitment to Ireland. This is someone who has credibility with the European Union, too."
WASHINGTON -- Final congressional approval of the General Agreement on Tariffs and Trade last night did more than end a bitter debate over trade policies. It also ended the first phase of the Clinton era.

For two years, President Clinton has tried to muscle his program through Capitol Hill. He didn't win an overhaul of the health care system or an economic stimulus, but he did get much of what he wanted: a deficit reduction package, an education initiative, a crime bill, gun control legislation and two important trade agreements.

Even so, the president is on the defensive. The Republicans control not only Congress but the national conversation. Indeed, White House officials worry about the danger that Newt Gingrich, who is in line to be speaker of the House, will effectively assume the role of prime minister in Washington, leaving Clinton with the leftover role of head of state.

In recent days, it has become increasingly clear that the devastating Democratic defeat in last month's midterm elections will force the president to abandon the course of the first half of his term, the relentless struggle on Capitol Hill that produced a string of successes but no overarching theme.

"You'll see a lot more of the president in Boston than on Capitol Hill," said Sen. Daniel Patrick Moynihan, Democrat of New York, who next month is to relinquish his seat as chairman of the Senate Finance Committee.

Freed from expectations

Being deprived of the chance to push for legislative achievements may actually provide an important opportunity for a president who came to office talking about change but who hasn't yet articulated a larger purpose to his tenure in the White House. He had no large mission, only a laundry list of programs.

Now he is liberated -- freed from the Democratic chairmen, who in many ways were as big an obstacle to change as his Republican rivals; freed from the need to chalk up legislative victories; freed, even, from the burdens of the expectations he created for his own presidency.

The president's struggle now is for political survival, not for legislation.

And the president's own survival will be guaranteed only if he meets the very tests he set out for the survival of the Democratic Party: He must speak and act in a way that helps to prepare the nation for the 21st century socially, culturally, economically. He must set a vision for the country, speak of American values and provide the nation with a sense of comfort about itself and its president.

The Republicans almost certainly will try to force the president to compete on their turf on Capitol Hill. "The president's going to have to react to what goes on up here," Sen. Ted Stevens of Alaska, who will be a powerful figure in the new Republican Senate, said defiantly.

Clinton will begin 1995 as perhaps the weakest first-term president of the modern era. Already, Democratic strategists and party elders are advising the president to steer away from a legislative strategy. "There's not much that's doable," Sen. Moynihan said.

A hallway conversation

That judgment reflects the conviction that the administration won't have much sway even in the Democratic Caucus. A hallway conversation between two senators just the other morning illuminates the new reality on Capitol Hill: The lawmakers, with the predominant role the administration assumed in the health care debate fresh in their minds, were talking about welfare reform. They agreed that at most the White House could play -- and this is the telling phrase -- "an advisory capacity" in congressional deliberations on welfare.

That phrase may be humbling to a president whose instincts lead him to the fine print of governing, but it suits the challenge that Clinton faces.

"The task ahead of the president is to convince America he is moving an agenda, that he is setting the same priorities that the average American is on a daily basis and fighting for it with a certainty," said Sen. John F. Kerry of Massachusetts. "He has to reestablish confidence with the American people. That's what we all have to do right now."

For Clinton, at least, the landscape may not be as bleak in the country as it is on Capitol Hill. The consumer-confidence index released this week by the Conference Board indicates that Americans feel better about the economy than they did even a year ago.

Clinton opened his campaign three years ago by saying that George Bush was in a state of denial about America's problems. Inside the White House, there's frustration, even despair, that Clinton is in a state of denial about his successes. The other day, a senior Democrat sidled up to Clinton and told him to claim some success. The president indicated he would. The 1996 presidential campaign is thus underway.
GATT Vote Could Fuel Formation of Third Party (Washn)
By Susan Page= (c) 1994, Newsday=

WASHINGTON President Clinton chalked the Senate's unexpectedly easy approval of a landmark global trade treaty Thursday night as a major victory for his administration, and the Republican leaders who are poised to take control of Congress next month said it demonstrated their ability to work constructively with a Democratic White House.

Underneath the congratulation and self-congratulation on both sides, however, lay what some political analysts saw as potential land mines in the vote on the General Agreement on Tariffs and Trade, explosives that could widen fissures within the Democratic and Republican parties and perhaps even fuel formation of a new third party.

The opponents to GATT may have lost this war, but they almost certainly will go on to fight new battles. The contest over the Republican presidential nomination in 1996 in particular could pit the party's free-traders against an angry and growing faction of protectionists, perhaps led by conservative commentator and GATT foe Patrick J. Buchanan.

"The Republicans have underestimated the nationalist force within their electorate," said Kevin Phillips, a Republican theoretician and author who studies the political impact of economic policy. "I've been flogging a book on talk shows over the past 10 days, and it's blown my mind how much of the questioning had to do with GATT." John McLaughlin, a leading conservative pollster, agreed. "You're already seeing cracks in the economic coalition, and the economic coalition is the glue that holds the Republicans together," he said. He cautioned, that Republican support of the treaty could imperil efforts to win over Ross Perot voters.

And Perot himself, the 1992 independent presidential candidate, last week vowed to form a third party if Congress approved GATT. "If that happens, I pledge to all of you we will immediately start the process of building a third party in this country," Perot told a rally in Wichita, Kan.

Of course, many voters are only vaguely aware of the massive and complicated agreement. "At the end of the day, it's not an issue that people grasp and see how it impacts their daily lives," Republican pollster Glen Bolger said. In a CNN/USA Today Gallup Poll taken Monday and Tuesday, nearly two-thirds of those surveyed said they didn't know enough about it to have an opinion.

In the capital, however, the treaty turned out to be one of a handful of issues on which the Democratic president and the leaders of a resurgent Republican congressional majority agreed.

"It's the right thing politically as well as substantively for Republicans to pass GATT," Republican strategist William Kristol said. "We believe in free trade, and it proves we're going to work with Clinton when he's in accord with our principles."

But some critics charged it was inappropriate for an outgoing Congress and one that faced voters' rebuke in the midterm elections last month to vote on such a major piece of legislation (although it would have passed even if the votes of defeated members had been excluded). That was evidence of business-as-usual after an election that was supposed to shake things up, they said.

On the sidewalk in front of the White House Thursday, one anti-GATT demonstrator arrived dressed as a lame duck.

(Manifest add end)

What's more, in the Democratic Party the GATT treaty split the president and so-called New Democrats from the party's old-line loyalists in organized labor, who warned that lowering trade protections could send American manufacturing jobs to low-wage countries abroad.

And in the Republican Party, the issue has become a wedge between traditional advocates of free trade and conservative populists who are weighing in on other policy issues as well supporting tighter immigration, for instance, and opposing foreign aid and U.S. involvement in U.N. peacekeeping forces. Buchanan and others have charged that under GATT the United States will sacrifice some of its sovereignty.

"There is a part historically of the Republican Party that's isolationist, the dominant part of the Republican Party until the Cold War and post-World War II," said Frank Donatelli, a Republican consultant who served as White House political director for former President Reagan.

"With the demise of the Soviet Union, we're seeing some stirrings of those old isolationist tendencies."

Distributed by the Los Angeles Times-Washington Post News Service

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Nations May Begin Implementing GATT Next Month (Washn)
By Glenn Kessler= (c) 1994, Newsday=

WASHINGTON World leaders stopped holding their breath Thursday night.

Most of the 124 signatories had waited to wait on GATT until the United States, the world's biggest trading power, had agreed to expand the General Agreement on Tariffs and Trade. With U.S. approval of the pact, other participants are expected to quickly follow suit.

The trade deal is scheduled to take effect July 1. But nations have agreed informally to begin implementing GATT by Jan. 1, which is one reason the Clinton administration wanted Congress to vote on the agreement before the end of the year.

The sweeping accord will cut tariffs on about 85 percent of world trade and lead to elimination of virtually all trade quotas. Not all tariffs will be cut immediately, however. Most tariffs will decline over five years, while tariffs in some sensitive areas such as textiles will be phased in over the next decade.

Under the agreement, a new entity called the World Trade Organization will replace ad-hoc trading arrangements that have shaped global trade policy since World War II. The organization will have significantly strengthened powers to mediate trade disputes between nations. It also will provide a permanent forum for negotiating further liberalization of trade.

The U.S. legislation implementing GATT contained numerous provisions to help make up about $12 billion in tariff revenue that will be lost during the agreement's first five years. Many of those provisions involve technical changes to tax withholding laws or accelerate the collection of certain excise taxes. But the legislation also includes an overhaul of the Pension Benefit Guaranty Corp., resulting in a projected savings of about $1 billion, and a settlement of a dispute with pioneers of new wireless technology that requires several telecommunications entrepreneurs to pay for licenses they previously received for free.

Distributed by the Los Angeles Times-Washington Post News Service

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**Love me, I'm not a liberal: Bill**

By: **Ramon Ball**

WASHINGTON — The White House is trying to shield its liberal voice by downplaying causes that could energize mainstream America.

Last month, a Budget Office report noted that President Clinton's economic aid to former Soviet countries was far greater in the first 10 months of his term than it was in the first 10 months of his predecessor's. The White House responded that it was a one-time expenditure.

The report, which was requested by the House Appropriations Committee, also noted that the administration'savy in managing the economy was higher in the first 10 months of Clinton's term than it was in the first 10 months of Bush's. The White House responded that it was a one-time expenditure.

President Clinton's economic policy is widely seen as a major factor in the recent economic upturn. The White House responded that it was a one-time expenditure.

**Billions more for defense**

WASHINGTON — The Pentagon budget is expected to grow by 30 percent next year, according to the White House.

The White House responded that it was a one-time expenditure.

The Senate is expected to pass a defense bill that includes $30 billion in additional spending, in addition to the $14 billion already approved by the House.

**Expect Presz pal guilty plea**

WASHINGTON — The White House has announced that President Clinton will plead guilty to a 10-count indictment, including charges of perjury and obstruction of justice.

The White House responded that it was a one-time expenditure.

**Gun ads aimed at her**

WASHINGTON — Women's groups are calling for a boycott of gun ads aimed at women.

The White House responded that it was a one-time expenditure.

**Women's groups are calling for a boycott of gun ads aimed at women.**

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The White House responded that it was a one-time expenditure.
Hubbell will plead guilty, source says

BY DON JOHNSON
Democrat-Gazette Staff Writer

Webb Hubbell, former associate attorney general and a former Little Rock mayor, has reached an agreement with the independent counsel to plead guilty to two felony charges, waiving possible indictment Thursday by the Whitewater grand jury, according to sources familiar with the investigation.

Also, sources said Mikel Wood of Sherwood, whose accounting firm Gov. Jim Guy Tucker used for about two years, appeared before the grand jury Wednesday. The grand jury was expected to consider a possible indictment against Hubbell on Thursday, but that became moot when the agreement with independent counsel Kenneth W. Starr was reached, according to the source.

Hubbell, 46, will admit to mail fraud and tax evasion charges, the source said. Hubbell's sentence could range from a minimum of 33 months to a maximum of 41 months. The independent counsel's office will prosecute Hubbell through an "information" that waives the need to seek an indictment. The information is a written statement of the essential facts of the offense charged.

Routinely, an information is filed when the person has reached an agreement to plead guilty.

Hubbell's billing practices as an attorney with the Rose Law Firm had been presented to the grand jury, the source said. The evidence indicated that Hubbell had improperly billed expenses to the Resolution Trust Corp., the Federal Deposit Insurance Corp. and other clients. The evidence indicates Hubbell billed about $10,000 for a week of work for a client, the source said.

Hubbell did not return telephone calls to his Washington office. Hubbell's attorney, John Nields of Washington, also did not return calls.

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The New York Times reported Thursday that Starr was considering whether to offer Hubbell a plea bargain in exchange for his cooperation in the widening investigation.

Hubbell had been asked to testify before the grand jury earlier in the week, but had declined.

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WASHINGTON — An eclectic Senate coalition handed President Clinton a major victory Thursday night by overwhelmingly approving a world trade agreement.

The alliance of Republicans and Democrats voted 76-24 to give final approval to the General Agreement on Tariffs and Trade. The vote followed weeks of intense lobbying by Clinton and administration officials. The lobbying effort continued until the last moment Thursday.

The president described the vote as a “bipartisan victory that really, really gives our country the boost we need to keep moving forward.”

The vote marked the final act of the divisive 103rd Congress.

The trade agreement between the United States and 123 other countries would reduce tariffs and subsidies by an average of 38 percent during the next 10 years. GATT is regarded as the biggest trade package in world history.

Treasury Secretary Lloyd Bentsen said the pact will “pay billions upon billions of dollars in benefits to our economy for years to come.”

Clinton and other GATT supporters argued that the lower trade barriers will create more U.S. jobs through expanded exports. Opponents said the treaty would lead manufacturers to move jobs out of the country in search of lower wages and higher profits.

Critics had hoped to kill the GATT, Page 15A

For one of the few times in the 103rd Congress, Dole found himself in agreement with retiring Senate Majority Leader George Mitchell, D-Maine, to back GATT.

“I think this agreement will define the American role in the global economy and in world affairs well into the 21st century,” Mitchell said.

The most recent round of GATT negotiations began in 1986 during the Reagan administration. The agreement marked the seventh round of GATT negotiations. The first round began in 1948.

Clinton administration officials have estimated that the new rules could create 700,000 U.S. jobs during the next 10 years.

“We had better wake up, start leading the world by rejecting this GATT and get a good, competitive trade policy,” said Sen. Ernest Hollings, D-S.C., a leader of the GATT opponents.

Hollings forced congressional leaders to postpone an October vote and instead call this week’s rare lame-duck session. He said his state’s textile industry could be devastated by foreign competition.

Opposition to GATT focused on the World Trade Organization, which would enforce the rules.

“The WTO will not undermine American sovereignty,” Mitchell said. “It will enhance our economic interests.”

Dole said, “The World Trade Organization is not world government. Our sovereignty is not threatened by the WTO.”

GATT supporters also contend that revenue losses will be offset by an expanded economy.
Senate approves GATT; Clinton calls vote 'the boost we need'

By George Rodrigue  Dallas Morning News

WASHINGTON The Senate approved a revolutionary international trade agreement Thursday, with supporters saying that it would open foreign markets to American products and usher in a prosperous new century.

The bipartisan 76-24 vote followed a similarly strong endorsement Tuesday by the House. An earlier vote to waive the Senate budget rules was 68-32, eight more than needed.

Both Texas senators, Republicans Phil Gramm and Kay Bailey Hutchison, supported the pact on the last day of the lame-duck Congress.

Appearing at the White House with an array of Republican and Democratic lawmakers after the vote, President Clinton praised "the stunning depth of support."

"It was a bipartisan victory that really, really gives our country the boost we need to keep moving forward toward the 21st century, to create more high-wage jobs for the American people," he said.

Casting an eye toward the Republican-dominated Congress that will take over Jan. 4, the president added: "Let's make the GATT vote the first vote of a new era of cooperation. America's best days are still ahead of us."

Texas Instruments chairman Jerry Junkins of Dallas, who led the business-oriented Alliance for GATT Now, said, "We are very pleased that a bipartisan Congress has had the vision to do what is right for America."

At issue were the "Uruguay Round" amendments to the General Agreement on Tariffs and Trade, which has been negotiated by the Reagan, Bush and Clinton administrations.

The pact requires the 124 participating nations to lower their import tariffs an average of 38 percent. Economists said that will benefit the United States. American tariffs are already among the world's lowest, so other countries' cuts will be proportionately larger.

The agreement also is designed to lower non-tariff trade barriers, such as the Japanese claim that only Japanese skin were suitable for Japanese snow.

American exporters have long complained about such barriers, but previous GATT agreements contained no real enforcement provisions against them. In the future, complaints will be handled by a new World Trade Organization that can authorize sanctions against violators.

For the first time, also, international fair-trade rules will apply to several traditional American strengths: agriculture, financial and insurance services. New rules also will forbid international piracy of intellectual property, including books, audio and visual recordings and computer software.

The Clinton administration estimated that the pact would add 500,000 jobs to the U.S. economy and boost national income by $100 billion to $200 billion annually.

Opponents, however, argued that the pact would destroy American jobs by removing bans to imports made more cheaply by child labor in the Third World. And they branded the WTO a threat to American sovereignty.

Texas' senators rejected those claims.

"American families will save, on average, $1,700 a year when import duties on goods they purchased are reduced under this agreement," Hutchinson said.

Gramm lambasted what he called the Clinton administration's "arrogant" handling of the agreement. But he said the trade pact nevertheless represented economic progress and personal freedom.

Referring to the GOP's role in crafting the GATT package, he told his colleagues that they could cast a partisan vote, blame the president, "and dump this dead baby at his doorstep ... But the baby is still our baby and we love it."

The Senate's approval is expected to prompt ratification of the agreement by many others among GATT's 124 member nations. Thirty-three countries already have ratified the accord, which is to go into effect Jan. 1.

The approval also may have domestic political repercussions. Former independent presidential candidate Ross Perot of Dallas recently vowed to start a third political party if the lame-duck Congress approved GATT.

Sen. Minority Leader Bob Dole, R-Kansas, complained that GATT opponents, who ranged from Perot to consumer advocate Ralph Nader, have alarmed well-meaning Americans through overblown charges that the World Trade Organization robs American sovereignty.

"Some of them think that we are trying to do in America," Dole said.

Despite the heated political rhetoric surrounding the bill, analysts said the treaty's short-term impact on the United States could be rather mild.

Third-world tariffs will be rolled back over periods of five to 12 years. American tariffs are already low and many will be reduced only gradually.

The Texas Department of Commerce noted Thursday that GATT bodes particularly well for the state's agricultural, automotive and computer industries. European computer tariffs will fall by 80 percent, for instance, and auto-export limits virtually will be ended.

Officials estimated that many other aspects of Texas' $52.2 billion export economy also will be helped by GATT, with textiles and apparel likely losers.

But the short-term effects in Texas will be rather modest, said Jon Hockenyos, managing director of Texas Perspectives Inc., an economic analysis and consulting firm. He said the North American Free Trade Agreement already has conveyed GATT-like benefits upon Texas' trade with its most important international partner, Mexico.

"There's been a tremendous jump in exports with Mexico over the past few years," he said. "In a sense we have seen a preview of what GATT will be like for the rest of the country."

Many opponents of the bill represented states with textile or dairy interests that would be threatened by GATT's tariff and quota cuts.

The Democrats' anti-GATT floor leader, Sen. Ernest "Fritz" Hollings, D-S.C., said previous free-trade measures had helped undercut America's less-skilled workers, dropping their standard of living over the last 15 years.

"The reality is that we are in decline. Everybody knows that," he said.

But Sen. Bill Bradley, D-N.J., saw GATT as the best available accommodation with an unavoidably challenging world. "Failure to pass the agreement would be a vote of no confidence in our own future," he said. "We can cope ... or put our heads in the sand and hope that the future passes us by."

Sen. Jesse Helms, R-N.C., said he opposed GATT because the World Trade Organization marked a dangerous step toward "world government." Others said the WTO could force the U.S. government to override federal and state laws protecting health, workers' safety and the environment.

The WTO can authorize nations to impose tariffs against other countries engaging in unfair trade practices. But GATT supporters note that countries can already do that, albeit outside the GATT framework.

Some argued that last fall's NAFTA had cost American jobs. Others said NAFTA-related trade had been a boon to their states.

In any event, Bradley said, low wages alone do not guarantee economic success. "If that were the case," he said, "Bangladesh would be an economic superpower."
Sen. Bob Packwood, R-Ore., said the United States must inevitably face world competition in which poorer countries will win some lower-paying jobs. The Senate, he said, is whether the United States can replace them with export-oriented jobs which pay 17 percent more, on average, than traditional slots.

Finally, senators clashed on the question of whether the loss of tariffs under GATT would increase the federal budget. Opponents called it a "budget-buster." Gramm made the contrary argument most bluntly. Reduced tariffs worldwide will dramatically increase American economic activity, he noted. Therefore, the consensus among U.S. economists is that it will actually increase tax revenues in the long run.

"The government, like an effective leech, can draw more blood out when the heart is pumping stronger," Gramm said.

Clinton requests hike in spending for military
By Richard Whittle
Dallas Morning News
WASHINGTON President Clinton said Thursday that he would ask Congress for an extra $2 billion to pay for recent military operations abroad and an additional $25 billion over six years to preserve troop readiness.

Clinton unveiled his defense budget initiative as the Army planned a major reorganization to cut troops and deactivate two armored divisions and three combat brigades.

"We have had a lot of unanticipated costs," the president said at the White House, citing military deployments this year to the Persian Gulf, Rwanda and Haiti and those troops could be eliminated.

"What we've tried to do is look at this and then decide what it would take to maintain our readiness in the short term and in the long run."

Clinton, whose top Pentagon officials have admitted recently that unexpected costs had left three of the Army's 12 divisions below peak combat readiness, said the $25 billion would pay for training, pay increases and other "quality of life" benefits.

"I have pledged that throughout the life of this administration our military will remain the best-trained, best-equipped, the best fighting force on Earth," Clinton said. "We ask much of our military, and we owe much to them."

The president's defense spending proposal follows Republican charges that his administration has cut defense spending so much that it risks returning to the so-called "hollow army" of the 1970s.

The House Republicans' "Contract With America" campaign promised a vote on "restoration" of defense spending. House Republicans have talked about adding as much as $60 billion to the long-range defense budget.

The Army's planned reductions were part of last year's "Bottom-Up Review" of the armed forces, in which the Pentagon decided on long-term cuts in all the services.

Under the Army plan as outlined to members of Congress, no bases are to be closed, but the 1st Infantry Division at Fort Riley, Kan., and the 4th Infantry Division at Fort Carson, Colo., would be deactivated. And combat brigades in Alaska, Hawaii and Kentucky could be eliminated.

The Army cautioned members of Congress in a briefing, however, that the plan was not final. An independent base-closing commission could alter the Army's plans next year.

Rep. Chet Edwards, D-Texas, a member of the Armed Services Committee, said the new, Republican-controlled Congress was likely not only to approve Clinton's proposed budget additions but also to shift more Pentagon money into readiness and "quality of life" for personnel.

Larry Neal, press secretary to Sen. Phil Gramm, R-Texas, dismissed Clinton's defense budget announcement as a political ploy.

"President Clinton has spent two years cutting the military to the bone and now he is trying to throw it one? We'll see," Neal said.

Sen. Kay Bailey Hutchison, R-Texas, a member of the Armed Services Committee, said she was "pleased to see the president is finally listening to those in Congress who are calling for a closer look at military preparedness."

Clinton whose fitness as commander in chief and popularity among the troops has been questioned in recent weeks by Sen. Jesse Helms, R-N.C., was flanked by the Joint Chiefs of Staff and Defense Secretary William Perry as he announced his initiative. It included:

An "emergency supplemental" appropriations bill for this fiscal year, which began Oct. 1, of more than $2 billion to pay for his use of U.S. forces in the Persian Gulf, Rwanda, Haiti and Bosnia-Herzegovina over the past year.

A series of quality-of-life improvements for military personnel, such as more family housing, improved barracks, increased child care and cost-of-living allowances during overseas assignments in expensive countries.

Annual requests to Congress for full funding of military pay increases to make up for inflation in fiscal 1996, which will begin Oct. 1, and thereafter through fiscal 1999.

Increasing his previously planned defense budgets by $25 billion over the next six years, with the largest increases, totaling $15 billion, for fiscal 2000 and 2001.

Deputy Defense Secretary John Deutch told reporters that combined with more optimistic forecasts of inflation and future cancellations or slowdowns in weapon acquisitions, the spending plan would erase what critics had said was a $40 billion gap in the Clinton five-year plan.

But Deutch said he was as yet unable to say what programs would be affected or how much any particular program might be cut, though he has been studying possible cancellations, cutbacks or slower purchases of 10 major weapons programs.

Kristi Wright contributed to this report.
Clinton's win on GATT may not help him much  
By Carl P. Leubsdorf  
Dallas Morning News  

WASHINGTON The Senate's approval of the GATT global trade pact Thursday gave President Clinton a welcome victory with potential long-term economic benefit after a month of political trauma.

But analysts expressed doubt that it would provide much long-term political help for Clinton's efforts to cope with a landscape transformed by the Republicans' sweeping congressional victory.

"He's had nothing but bad news politically for some time," said Greg Schneider, a Democratic consultant.

"A big win on a big issue in which he got significant Republican support at least buys him some time and the opportunity to show that he can work with these people and that government is not going to grind to a halt because of the division of power," Schneider said.

Republican analyst Kevin Phillips agreed that Clinton "may get a little bit of credit for seeming to work with the Republicans."

"It's something of an illusion," though, and is unlikely to be a prelude to long-term bipartisanship, Phillips said.

"It may suit both Clinton and the Republicans to show they don't have the machetes out yet," Phillips said.

"But it's still a prelude to fratricide."

Several analysts noted that the enactment of the General Agreement on Tariffs and Trade was also a victory for the two top Republicans in Congress. It was helped to pass by incoming House Speaker Newt Gingrich of Georgia and Senate Republican leader Bob Dole of Kansas.

"Both Gingrich and Dole aspire to be seen as internationalists and responsible on foreign policy, so this was absolutely essential for them to earn that reputation," said Thomas Mann, director of governmental affairs at the Brookings Institution, a non-partisan Washington think tank.

"To be cast as spoilers now on a matter of this weight and importance would have gotten them off to a bad start," he said.

William Kristol, chairman of the Project for the Republican Future, said that by providing the votes to help pass GATT, congressional Republicans "signaled a willingness even eagerness to speak and act as a majority."

"They understand that loud complaints about the fine print of otherwise attractive legislation are for opposition backbenchers, not for a party that commands the national agenda," Kristol said in a memorandum on the GATT vote.

To a degree, some analysts said, the GATT vote was an issue where a loss might have had a far greater effect on Clinton than a win.

"I don't think it's any great shakes for him politically," said Republican consultant William Greener.

"But if he hadn't gotten it, it would have been disastrous. At least at some level, some degree of the bleeding has eased."

GATT's carryover effect will be limited, Greener said, because among other reasons the issue was "so amorphous relative to the way that most people think about politics."

"It doesn't easily lend itself to specific economic analysis of what jobs go where," he said.

In the longer term, said Mann of the Brookings Institution, the payoff for Clinton could be economic.

"It will have no impact on his standing with the American people," Mann said. "But what's important is that it will lead to quick ratification by other countries that will help to nurture a further global economic recovery.

"And that increases the odds that in 1996 the economy will be growing," he added. "While that's no guarantee of success for Clinton, it's an absolute prerequisite for him to have any chance at re-election."

Another potential 1996 benefit for Clinton lies in the threat by Dallas billionaire Ross Perot to form a third party if GATT were approved, Mann added.

At a rally last week in Wichita, Kan., the 1992 independent presidential candidate said that if GATT passed, "I pledge to all of you we will immediately start the process of building a third party in this country."

A Perot candidacy, Mann said, would help Clinton by splintering the presidential vote.

Some political observers such as former Senate Republican leader Howard H. Baker Jr. of Tennessee, writing last weekend in the Washington Post suggested that the bipartisan efforts on GATT should be a model for future collaboration.

But others noted that the cooperation on GATT came on a traditional Republican issue free trade. Compromises on other issues might be more difficult, they said.

Greener, the Republican consultant, said he believed the image of bipartisanship gained by Dole and Gingrich on the GATT vote "will have an even shorter shelf life" than any political success for Clinton.

When the two parties clash next year, he said, "far more of what Dole and Gingrich do will be analyzed as being driven by desire for partisan advantage to embarrass or defeat Bill Clinton."
Clinton wins big in the Senate on trade

By Elaine S. Povich Chicago Tribune

WASHINGTON The Senate on Thursday approved the GATT treaty, the most sweeping expansion of world trade ever, giving President Clinton a clear victory in its last major legislative act before the Republicans take over Congress.

Approval came on a 76-24 vote and followed House passage Tuesday. Significantly, 35 Senate Republicans joined 41 Democrats in approving the treaty, which is aimed at boosting the United States' exports of goods overseas.

The path was cleared for GATT approval when the Senate agreed on a 68-32 vote to waive budget rules that might have stood in the way. The budget waiver required 60 votes.

Approval of the General Agreement on Tariffs and Trade means that tariffs will be reduced or eliminated on imported goods in the United States and on U.S. goods overseas. Products from construction equipment and furniture to toys and beer should therefore be more available worldwide, and presumably cheaper.

Passage of GATT is an example of the way the Republican-led Congress and the Democratic president could work together. But underlying the GATT approval are significant splits that are more telling about the political fights to come next year between Clinton and the Republican Party.

The GATT vote broke down more on regional than party lines. Senators from textile-producing and dairy states, for example, opposed the treaty, fearing it would hurt those industries. Senators with wheat and corn constituencies, however, supported it.

GATT opponents like independent Ross Perot and Republican Pat Buchanan tried to turn the issue into a referendum on economic nationalism and lost. Perot vows he will start a third party over it, which, ironically, could help Clinton in 1996 by taking away votes from a Republican opponent.

"We've always had an America First crowd," said political pollster and analyst Stuart Rothenberg. "It's a hair bigger now. Perot, Buchanan and (consumer advocate Ralph) Nader have the ability to reach the grassroots.

"The nationalists are able to gin up their anger," Rothenberg said. "Having said that, they are not able to win elections."

One of Clinton's potential Republican opponents, Sen. Phil Gramm of Texas, supported GATT but still managed to sneak in a snipe at Clinton, saying the administration officials lobbying the issue furiously on Thursday were arrogant. He also disliked the structure of the treaty, which gives every nation equal strength.

"I would have to say the irresponsibility of the Clinton administration in the way they structured it had made it very difficult for me to be strongly supportive of it," Gramm said. "But it is important to the people who pay the taxes and pull the wagon in Texas and in America."

The GATT debate had echoes of last summer's fight over NAFTA, the North American Free Trade Agreement, with unions and Perot opposed to both. NAFTA, too, was an example of bipartisan cooperation and something that Clinton cites as one of his major accomplishments in his term.

But Clinton has little to sustain hope that he can expect cooperation on other issues, such as prayer in schools, welfare reform, term limits and balancing the budget.

GATT lowers tariff and non-tariff barriers for manufactured products and other goods, brings trade in agriculture and services under internationally agreed-upon rules for the first time, establishes a set of rules for settling trade disputes, and creates a new World Trade Organization to implement the agreements. The organization was among the most controversial points, with opponents of the treaty arguing that the United States was subordinating its sovereignty to an international group without the veto power it has in the United Nations.

That was among the arguments advanced by Perot in opposing the treaty.

But Perot's potency appears to have diminished after Congress' refusal to heed his dire warnings that NAFTA would result in a "giant sucking sound" of U.S. jobs going to Mexico.

Sen. Byron L. Dorgan, D-N.D., said a new study by the congressional Joint Economic Committee showed a net loss of 10,000 U.S. jobs due to NAFTA, but the Commerce Department reported an increase of 130,000 jobs connected to a huge increase in U.S. exports to Mexico.

"That sucking sound never materialized," said Sen. Carol Moseley-Braun, D-Ill., who supported GATT.

Thirty-three other nations already have ratified GATT, which was signed by 124 nations, and supporters said other countries are ready to ratify it as soon as the United States does.

Treasury Secretary Lloyd Bentsen said the whole world is waiting for the United States to act, said Dole, who supported the treaty. "The bottom line is we cannot isolate ourselves from the rest of the world."

To make up for the lost tariffs called for under GATT, the agreement calls for cutting U.S. agricultural subsidies and implementing a number of revenue-raising items, including auctioning licenses for a new generation of wireless broadcast services.

Opponents said the revenue would not be enough to compensate for the lost tariffs, leading to the effort to brand the bill a budget-buster, which required the budget waiver.

"Agriculture can compete on a level playing field," said Sen. Bob Packwood, R-Ore., who supported GATT. He said Oregon wheat and grass seed producers sell at market rates and compete well in the world.

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Graphics 11/29 GATT explainer, 12/01 GATT NATIONS are available from KRT Graphics; call (202) 383-6064. Photos are available from KRT Photos; call (202) 383-6099. One week after transmission, photos are available via keyword search in the KRT Photo Archive on Presslink.

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Clinton, going with the new flow, calls for $25 billion defense budget hike

By William Neikirk Chicago Tribune

WASHINGTON With the Joint Chiefs of Staff standing behind him in the Rose Garden, President Clinton pre-empted the new Republican Congress on Thursday and proposed a $25 billion increase in the defense budget over six years.

If adopted by Congress, the extra money would go for increased military readiness, fully funded pay raises and cost of living increases, improved military housing, child care, "quality of life" measures for the troops, and preservation and modernization of some unmanned weapons systems.

While it's a pittance compared with the defense increases put into effect by President Ronald Reagan, the Clinton military mini-buildup largely seeks to compensate for the deep cuts he initiated earlier that officials now fear could affect long-term preparedness and damage the morale of U.S. forces.

In addition to the $25 billion, Clinton also proposed spending more than an additional $2 billion in the current fiscal year to pay for U.S. military operations in Haiti, Rwanda, Kuwait and Bosnia and for picking up and housing Cuban refugees.
It was the first concrete step Clinton has taken since Republicans captured control of Congress in the Nov. 8 election. The White House has been trying to figure out how to respond to this new political reality in a series of internal meetings.

On Friday, the president will meet with the two top congressional Republicans, Rep. Newt Gingrich of Georgia and Sen. Bob Dole of Kansas, in a political summit designed to find common ground on key legislative issues in 1995.

If nothing else, the military initiative demonstrated that at least one of the president's political strategies will be to seize some Republican ideas in advance and adopt them as his own.

His statement came after Sen. Jesse Helms, R-N.C., expected to be the chairman of the Foreign Relations Committee next year, had questioned Clinton's competence as commander in chief, though White House aides said Helms' remarks had nothing to do with Clinton's decision.

Helms, in a remark he later said he regretted, said the president was so unpopular at military bases in his home state that he'd better have a bodyguard if he came there.

Quite apart from the Helms incident, the president did seek to redress grievances by U.S. forces, many of whom are uncomfortable with Clinton, about their pay and the quality of housing at military bases.

"We ask much of our military, and we owe much to them in return," Clinton said in an announcing a new initiative that Deputy Defense Secretary John Deutch said will be well-received by the military.

The $25 billion will place new burdens on the administration and on Congress to find offsetting spending reductions to keep the deficit from rising. In effect, it means that funds from domestic programs, excluding entitlements like Social Security and Medicare, will have to be cut by the same amount.

On the other hand, the White House said the more than $2 billion Clinton is seeking to pay for recent U.S. military operations will increase the deficit, without offsetting reductions, unless Congress chooses to make further cuts. This spending will be classified as emergency.

As part of their "Contract With America," House Republicans vowed to increase the military budget, which they claimed had been slashed too drastically during the Reagan administration.

Sen. Daniel R. Coats, R-Ind., a member of the Armed Services Committee, said Clinton's statement only confirmed that the defense budget had been cut too sharply.

For his part, Clinton spoke of unanticipated costs in Bosnia and a commitment to keep readiness high while doing "right by our men and women in uniform.

"Under Clinton's proposal, the Defense Department would start spending the extra $25 billion in fiscal 1996. It would last through fiscal 2001. The biggest increases, for modernization of weapons and other improvements, would occur in the last two years.

Deutch told reporters that the Clinton plan, combined with favorable economic assumptions and lower expected inflation, will cover a widely reported $40 billion shortfall in Pentagon spending over the next six years.

Officials said the new spending would not affect base closings.

Just how Clinton will respond to the Republican challenge in other areas is uncertain, but aides said internal talks have gone on virtually nonstop since the election. The president's rhetoric, though, has been taking on a more conservative cast recently.

For example, in his radio address last Saturday, he said that "nobody wants government on our backs, but we do need a strong, if limited government, by our side."

Yet Clinton's problem in regaining the trust of many Americans is immense.

In an appearance on Cable News Network's Larry King show Wednesday night, presidential adviser David R. Gergen said the president needs to "speak from the heart" to show his convictions. Gergen went on the show to deny that he had told a group of former White House speechwriters that Clinton had no convictions.

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As NATO struggles on Bosnia, Russia tosses in new monkeywrench

By Terry Atlas Chicago Tribune

BRUSSELS Even as it struggled to close ranks over Bosnia, NATO ran into new controversy Thursday as Russia protested steps toward expanding the Western alliance to include some of Moscow's former allies.

NATO officials meeting in Brussels accepted a Clinton administration plan to firm up what has been only a vague assurance of possible full NATO membership for some of the new democracies of Eastern and Central Europe.

But the decision unexpectedly threw off track plans to expand military cooperation with Russia, which for months has publicly railed against any possible eastward expansion in NATO as a perceived threat to its security.

Arriving at alliance headquarters, Russian Foreign Minister Andrei Kozyrev startled NATO leaders by abruptly refusing to go through with a ceremony initiating a broad military cooperation program between NATO and Moscow that would include joint military training, defense consultations, and discussions about European security.

Kozyrev said he wanted some "clarifications" about NATO's expansion plans, but he continued to balk even after talking with Secretary of State Warren Christopher and other NATO ministers.

U.S. officials suggested Kozyrev was playing to politics at home, where nationalists complain he is too soft on the West. Still, it was an embarrassing setback after Washington had assured anxious European allies that President Clinton had personally overcome objections by Russian President Boris Yeltsin.

Until the Russian protest, the historic move toward expanding the Atlantic Alliance for the first time in more than a decade with Poland, Hungary and the Czech Republic at the head of the list was overshadowed by the crisis within NATO over Bosnia and the inevitable questions that has raised about its own survival.

Secretary of State Warren Christopher sought to patch up cracks in NATO by telling allied foreign ministers that Washington has again shifted its policy on Bosnia this time moving into line with the European view that the war can be ended only with additional territorial and political concessions to the advancing Bosnian Serbs.

The Clinton administration has decided, in effect, that it is more important to save NATO than to save Bosnia.

"The crisis in Bosnia is about Bosnia and the former Yugoslavia," Christopher reassured the allies. "It does not diminish NATO's enduring importance."

After much trans-Atlantic sniping, the United States and Europeans are eager to get beyond Bosnia because of concerns about the damage it has done to NATO unity and perhaps to American public support for the alliance.

"NATO has been through difficult times before and has always bounced back," said NATO Secretary General Willy Claes. "That is what was done today."

But the bitter squabbling over Bosnia policy the most serious rift in NATO since the 1956 Suez Crisis highlights the difficulty of holding together an alliance no longer facing a common threat from the Soviet Union.
Clinton has personally reassured Russian President Boris Yeltsin that NATO expansion isn't a threat to Moscow. At the same time, Christopher and Defense Secretary William Perry have lobbied allies to back the U.S. plan.

The European allies, while wary of roiling Russia, generally welcomed the Clinton administration's expansion initiative as much for the reassurance it gives them about the continuing U.S. commitment to European defense as for the promise of bonding the new democracies in Eastern Europe more firmly to the Western camp.

Although the Clinton administration has vowed to keep 100,000 American troops in Europe, the very public dispute over Bosnia has raised European anxieties that American public opinion will push toward disengagement from security commitments on the continent.

NATO was the unquestioned centerpiece of European security throughout the Cold War and, Christopher said, remains the "anchor of American engagement in Europe, the linchpin of trans-Atlantic security."

But its experience in Bosnia, the first time NATO has actually used its military forces in its 45-year history, has opened the alliance to questions about its role in a future characterized by Bosnia-type ethnic conflicts.

"Helpless, hopeless and maybe irrelevant" is how incoming Senate Majority leader Robert Dole, a Bosnia hawk, on Wednesday described the alliance's performance in Bosnia.

Even so, the new Republican majority broadly supports bringing the new Eastern European democracies into the alliance. The House Republicans' Contract for America, for instance, calls for admitting Poland, Hungary, the Czech Republic and Slovakia into NATO by Jan. 1999.

But the East Europeans may be set up for disappointment, since it is doubtful Congress actually would be willing any time soon to take new military commitments by extending the U.S. security guarantees under NATO to politically unsettled Eastern Europe.

Until now, NATO has kept its former Warsaw Pact adversaries at arm's length, granting them a sort of junior membership through the Partnership for Peace. This arrangement has given NATO some breathing space to make decision about how and when to expand and has helped mollify Moscow, which vehemently opposes any early expansion of the NATO military alliance eastward.

The Clinton administration baffled Europeans by its decision to press ahead now for new NATO members after having contended for the last year that the Partnership for Peace was a way to forge ties without upsetting Russia.

The move reflects a growing view that the time to push the defense lines eastward is while Russia is weak and preoccupied with its own revival rather than later when such a move might be more difficult.

"We have a moral duty not to squander this historic opportunity to anchor the new democracies of Central and Eastern Europe permanently in the West," Clas said.

Despite supportive language in the foreign ministers' communiqué, there clearly isn't full agreement among NATO's current 16 members about how soon to admit new ones. Clas said NATO will now look at the "why and how" of expansion, but not yet the when and where.

Some U.S. officials suggest the new members could be brought into NATO in as little as two years, though that seems a bit fast to some Europeans. Germany, for one, has cooled toward expanding NATO so quickly and France wants to deal with the issue of European Union expansion in 1996 before NATO decides on new members.

Christopher proposed that NATO essentially start the clock running on bringing in new members by developing the criteria euphemistically dubbed "precepts" by which to measure possible new members.

These include a commitment to democracy, civilian control of the military, respect for human rights and existing national borders, and NATO-compatible military equipment and communications.

It will also require a willingness by the East Europeans, finally rid of Soviet troops, to make the politically touchy commitment of permitting NATO troops to be stationed on their territory.

"New members must be market democracies committed to responsible security policies and able to make a contribution to the alliance," Christopher said.

As a practical matter, the only countries in the running for early membership are Poland, Hungary, the Czech Republic, and maybe Slovakia. While they have made major strides since the end of the Cold War, it is not irrelevant that they have sizable ethnic communities in the United States that give them an additional political voice.

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With Bihać on brink of falling, some fear war will spill over into Croatia

By Tom Hundley Chicago Tribune

ZAGREB, Croatia The deteriorating situation around the Bihać "safe area" has rekindled fears that the war in Bosnia could easily spill over into neighboring Croatia.

"We will not wait for Bihać to fall," Croatian Defense Minister Gojko Susak said Thursday. "If Croatia should estimate that Bihać will fall, Croatia will intervene before that happens."

Two incidents brought the war closer to Croatia's doorstep. The first was an exchange of mortar fire Thursday between the Croatian army and Serb rebels who occupy about one-third of Croatia's territory.

U.N. observers said it was the most serious violation to date of the March 30 cease-fire agreement between Croatia and the self-styled Krajina Republic. Croatian officials denied it happened.

In another incident, Bosnian Serb commandos fighting near Bihać crossed into Croatia and seized a United Nations observation post on Tuesday, taking seven Ukrainian peacekeepers prisoner.

"The Croatian government has acted so far with commendable restraint," said U.N. spokesman Michael Williams.

But Susak, the defense minister, warned that Croatian restraint has its limits.

The Bihać crisis, in which the Bosnian Serb army has flagrantly violated a U.N. "safe area" and dared the international community to do something about it, has direct implications for Croatia.

A critical rail line passes through the center of that Muslim enclave. If it falls into Serb hands, it would link the Serb-controlled areas of western Bosnia with the Serb-controlled area of Croatia known as Krajina.

The Croatian government has been alarmed by the apparent military cooperation between the Bosnian Serbs and the Krajina Serbs throughout the Bihać offensive. It also has accused Serb-dominated Yugoslavia of contributing several thousand fighters to the Bihać offensive.

The Serbs "are creating the pre-conditions for linking the Krajina with Serb-controlled parts of Bosnia. This is all part of a major plan to create the operating conditions for a Greater Serbia," said Gen. Janko Bobetko, the Croatian army chief of staff.

(EDITORS: NEXT 2 GRAFS OPTIONAL, TRIM)

Bobetko sounded like a man who believed it was no longer a question of whether the Croatian army would be forced to act but of when.
"This is not an olive branch. I believe we are coming to the end of this situation," he said. "Soon we are going to be giving some very decisive answers."

The military assessment is that the battle for Bihac essentially is over and that the Serbs could take the Muslim enclave of 60,000 people anytime they want, but are refraining from doing so, perhaps to deprive the Croats of a pretext for entering the fight.

The larger question for the Croatian side is Krajina, where rebel Serbs still control about 30 percent of Croatia's territory.

For the moment, U.N. peacekeepers are maintaining a fragile cease-fire along the 1.2-mile-wide "zone of separation" between the Croatian army and the Krajina Serbs while "reintegration" talks are in progress.

But the U.N.'s mandate in Croatia expires Jan. 10, and the Croatians have made it clear that if there is no significant progress toward reintegration, they will not renew it.

"Without the U.N.'s presence, there's not a shadow of a doubt that there will be war in Croatia, a war with all the civility of the Bosnian war and much more firepower," said a diplomat in Zagreb.

There's also not much doubt that if Croatia goes to war against the Krajina Serbs, the Republic of Serbia and its well-equipped army, the former Yugoslav national army, will not remain on the sidelines.

At this point, it's unclear how much of this is saber-rattling by the Croat side. But unlike the Bosnian Serbs, the Croatian government does seem to feel constrained by Western opinion, the result of expanding economic and political ties with Western nations.

"Croatia will not do anything that is not in accordance with the will of the international community," said Miomir Zuzul, an adviser to Croatian President Franjo Tudjman.

Earlier this week in Washington, the Croatian Defense Ministry and the U.S. Defense Department signed a "memorandum of cooperation," a document that is more symbol than substance. But along with U.S. promises of training programs and officer exchanges came a stern warning:

"If Croatia initiates a military action, they cannot expect the U.S. to bail them out," said one U.S. official.
The new worldwide trade pact is a mixed bag for key Georgi­an industries: a blow to apparel workers, some textiles segments and peanut farmers, but a boon to the state's carpet mills, software engineers and professional firms.

But projections that the pact will overall, boost the state's economic output by $1.1 billion and add 9,000 Georgia jobs over the next decade won out. All but members of Georgia's congressional delegation approved. The deal Tuesday, and both senators, Republican Paul Coverdell and Democrat Sam Nunn, helped the pact to a 76-24 victory in the Senate on Thursday night.

The General Agreement on Tariffs and Trade, known as GATT, "means a savings of at least $230 per Georgia household each year," said Coverdell, referring to the projected price cuts that will come because tariffs on imports will go down. Coverdell, who sat on the fence until Thursday, also cited the projected job and economic gains.

Not surprisingly, Georgia's labor leaders decried the deal while business executives breathed a sigh of relief.

"It's a disaster for the blue-collar working people," said Gary Adler, organizing director for the International Ladies Gar­ment Workers Union in the Southeast. "There's got to be a decent income for people in rural areas, for people that don't have access to the high-tech stuff like the people in Atlanta."

A study by the Governor's Develop­ment Council projects the state will lose 12,000 apparel manu­facturing jobs over the next decade because of GATT.

"American workers are forced to compete with workers in the Third World who work under terrible conditions. That's not fair," said Bruce Raynor of the Amal­gated Clothing and Textile Workers Union. "The result will either eliminate U.S. jobs or drive down wages and standards."

Most Georgia business leaders, however, feel strongly that the United States has more to gain than lose from GATT, be­cause the United States is already a relatively open market. Several local international exec­utives, from software firms to basic manufacturing, lobbied Congress, saying it will boost ex­ports and thus raise em­ployment.

"To walk away from seven years of negotiations — most of which we've pushed for — would be ludicrous," said a worried Gus Scannapieco, head of international operations for specialty chemi­cals maker ZEP Manufacturing Co., last week as he prepared to send off another round of pleas. "It will create so many jobs."

Roger Scovil, senior vice president of Lockwood Greene International, a unit of the big Atlanta-based engineering firm, said Thursday that his firm's At­lanta employment base has grown because of increased work in Mexico in the wake of the North American Free Trade Agreement. And he expects GATT's lowering of investment and trade barriers to have the same positive impact.

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A bitter defeat in Bosnia

The painful truth of the Bosnian Serbs' victory is an offense to justice and decency, yet facts have to be faced.

The Serbs control more than 70 percent of the territory in their land and can strangle the Muslim enclaves pretty much at will. Mourners on a hateful crusade, they are without discipline or strong leadership, so prospects are dim they will restrain themselves for anything so abstract as a ceasefire or even a negotiated settlement.

The Bosnian Muslims are in a desperate situation, and while we can blame them for their bit- terly? The PRO in UNPROFOR (the acronym for the United Nations contingent in Bosnia) supposedly stood for protection. At best the U.N. force has only sustained mastery. Bosnian Mus- lims'have been pushed back and back until they can yield no more — yet, sad to say, they may have to.

Nothing short of massive and determined intervention on the ground can stop the Serbs' aggression or the Muslims' futile attempts at redress. And no power on Earth — not the United Nations, NATO or any of its individual members — will ever be able to accept the costs and casualties of even defending the so-called safe areas of Bosnia, let alone rolling back the Serbs' ill-gotten territorial gains.

Conceivably, there was a time when determined diplomacy and a measured show of force from the outside might have snuffed this conflict before it erupted in its full fury. Histo- rians will have blame aplenty to pass around for its failure of Western resolve and Imagina- tion, in Washington as well as in Paris and London. What counts now, however, is damage control.

Some safeguards must be maintained for innocent civilians. Secretary General Boutros- Ghali's concern for the safety of the 25,000 U.N. peacekeepers in Bosnia is warranted, but he overreacts at Serb provocations when he threatens to pull them all out. Let those blue helmets in the greatest danger, as in the enclaves of Bihać and Visoko, remove them- selves to more secure locations, but the U.N. can hardly abandon the displaced civilians of Bosnia, with another brutal Balkans winter coming on.

Concessions surely will have to be made to the Bosnian Serbs. Grating as it may be to see Washington yield tactility on the concept of a Greater Serbia and pressure the Muslims to accept defeat, this may be the only feasible way to stave the Bosnian Serbs' appetite. The Western allies have to resolve, however, to give not another inch on national boundaries. The Serbs must not think they can go poaching in Macedonia, Croatia or Slovenia.

The Atlantic alliance urgently needs repair. The Bosnian issue has been extraordinarily divisive, in large part because of bewildering European agendas and historical affinities. Washington and its partners have to get NATO back on track. It still has a mission — main- taining stability and preventing the rebirth of militant nationalism in post-Cold War Europe.

Failure in Bosnia — a difficult mission because of its tortured terrain and ethnic mix must not break NATO's spirit for other challenges.

Real-life heroes in a jaded world

Crime statistics measure property stolen, injuries suffered and lives lost. But that is not all we fear from crime. Deep down, we're also afraid of the kind of people crime can make us become.

We don't want to become people who are so overwhelmed by crime, so desensitized to it, that we can turn our backs on its victims.

The kind of people who simply don't see anything. The kind of people who just don't want to get involved.

Stories about that kind of people are told too often these days — stories of unanswered cries for help, of crime and violence becoming such everyday occurrences that no one even notices.

That was not the story Wednesday at the corner of Northside Drive and Bishop Street in Northwest Atlanta. There, a carjacker slammed into another vehicle, killing a woman. He then began smashing the windows of cars caught in traffic in an apparent attempt to steal another car. This time, people got involved.

Henry Turner and Eddie Roberts, along with brothers Ronnie and Wayne Miller, tackled the suspect and held him until police arrived. Their bravery may well have saved lives.

There are times when getting Involved can be reckless. In most instances, police would warn bystanders against confronting a criminal armed with a gun. They don't want civilians to engage in a deadly car chase. Innocent people might be put at risk.

There also are times when those seeking to help others step over the line into vigilantism, not simply trying to stop a crime, but meting out punishment on the spot.

But what the four men did near the corner of Northside and Bishop on Wednesday was the right thing. They risked harm to them- selves to protect oth- ers. Although they resist anyone calling them heroes, their actions make them worthy of the label.

Their actions also tell us something else — that while there is reason enough to fear that crime brings out the worst in us, it also is true that from time to time it can bring out the best.
Open GATT opens gates

Yesterday's comfortable Senate majority approving the General Agreement on Tariffs and Trade has handed a huge opportunity for President Clinton and Congress to work in harmony on something really significant. If the next, Republican-controlled Congress can seize such oppo majority for trade legislation backed by a Democratic president, there's no reason why the momentum should end with GATT. Congress evidently is ready.

With 34 heads of state due in Miami for the Summit of the Americas, Mr. Clinton's aides began hinting this week that he'll use the summit to push for earnest for a hemispheric free-trade pact. For that, he'd need “fast-track” negotiating authority that the Democratic-controlled 103rd Congress denied him.

If such an initiative really came to pass, Step 1 would be to bring Chile into the North American Free Trade Agreement, which now binds the United States, Canada, and Mexico. Step 2, a grander and longer-range vision, would be the gradual blending of the hemisphere's other regional trade pacts into a single market, running from the Yukon to Tierra del Fuego.

The U.S. benefits from such an agreement would be worldwide. But make no mistake: The economic boost in South Florida would lead the nation. This relationship in a hemispheric trade is enormous: South Florida's competitive advantages in transportation, communications, business services, and cultural artifacts unparallel anywhere. The more trade occurs in this hemisphere, the bigger will be South Florida's share of that bounty.

All of this is a pipe dream, however, if Congress doesn't restore the president's “fast-track” authority to negotiate trade agreements. His previous authority, under which both NAFTA and GATT were concluded, has expired. Trade hawks in Congress — mainly Democrats — have refused to renew it.

With a “fast-track” authorization, Congress could set up a trade with countries (other than those that don't let their legislatures nitpick international agreements) won't consider negotiating with the United States. According to the president, Congress will only pick their work apart as soon as it's concluded.

Yet from his own party, Mr. Clinton has encountered little resistance. Reps. Richard Gephardt, D-Mo., and David Bonior, D-Mich., just re-collected to lead their party in the House, have been among the most obstreporous of the hawks. Thus the future of “fast track” — and any trade boost from the Miami summit — hangs mainly on the president. Mr. Clinton's rumored push for hemispheric trade could be the crowning event of next week's summit. But that can happen only if yesterday's vote on GATT was more than a one-time event. If so — if people of different partis and ideologies in Washington can still work together for a shared goal — then there is some immediate work crying out to be done. As of today, much of that work now seems readily, even dramatically, achievable.

Time to muster out

The Haitian army has distinguished itself for its single-minded pursuit of pillage and power. In Haiti's 190 years of independence, the army has led coup after coup, drawn more energy to abusing Haitian civilians than to defending the half-island from external threats. Haiti's soldiers long have been adept at extracting tribute through various scams and protection rackets. By some estimates the army devoured half of Haiti's meager national budgets.

The army also served as the billy club for Haiti's elites, who rarely hesitated in using it to beat back popular demands for reform. During the three-year reign of Lt. Gen. Raoul Cédras and his henchmen, the army and the police, its integral part, brutalized Haiti's civilian population.

This Tonton Macoutization of Haiti's army lends even greater weight to those who advocate a far-reaching purge of officers and men. On Dec. 6, the 7,500-man army to 1,500. On his recent visit to Port-au-Prince, Oscar Arias, Nobel peace laureate and former Costa Rican president, advised Haitians to “free themselves” from the present army; Haiti's main "source of instability." He's absolutely right.
Rep. Jay Inslee, narrowly defeated at the polls last month, is being quietly encouraged by senior Democrats in both Washingtons to run for state Democratic chairman.

The Selah Democrat is proposing a decision within 10 days on whether he will seek to lead the state party back from its worst defeat in 45 years.

Incumbent party chairman Charles Rolland has declared that he will seek another term when the Democratic State Committee convenes Jan. 28. Rolland says he expects to win re-election without opposition.

Democratic insiders are also floating the name of Seattle attorney David McDonald, a former King County Democratic chairman. Rolland and Rolland's predecessor as state chairman, George Zander, served as brokers between supporters of rival Democratic presidential contenders in 1992.

U.S. Sen. Patty Murray and Rep. Norm Dicks have talked with Inslee. Murray was guarded when asked about whether she would back Inslee. She said she wants to see more candidates for party chair to first demonstrate what they can do for the party.

"I'm looking for somebody who can speak articulately for the party, has a lot of energy, and displays a vision," Murray said. "If somebody comes forward and shows those capabilities, I am ready to make my preferences known."

Inslee is a centrist Democrat who was a surprise 1992 winner in a traditionally Republican district. He opposed final passage of President Clinton's budget plan. But he cast a key vote in favor of banning assault weapons, triggering furious opposition from the gun enthusiasts in his Central Washington district.

Inslee feels Democrats were outfought in the 1994 election. He says the party let conservative radio talk hosts control the airwaves, and that it failed to match Republicans' get-out-the-vote effort on election day.

"We are engaged in a new type of political discourse and conflict," he said. "Right now, it's like World War II with one side having an air force and the other side only ground troops. We have to recapture the discussion."

Rolland, by contrast, says the party mounted a strong campaign, but that officeholders were swept away by a national tide. "I would be hard-pressed to blame our showing on any phenomenon in the state," Rolland said. "What we were caught in was a national phenomenon."

The Democratic Party suffered a more sweeping disaster in Washington than any other state. It lost six seats in the U.S. House of Representatives including House Speaker Tom Foley. The number of Democrats in the state House of Representatives plummeted from 65 to 57. The party lost two seats in the Washington State Senate.

"Among the congressional turnover was Washington's––for 13 percent of our losses in the entire country," said Karen Marchloro, Rolland's predecessor as state chairman.

Democrats were virtually wiped out in such areas as Yakima and the Tri-Cities, and suffered crushing defeats in such swing areas of the state as Snohomish County, Clark County and Whatcom County.

Rolland has had a rocky ride as state chair. He was unable to resolve a long-running conflict over anti-Asian remarks allegedly made at a union hotel.

State Democratic leaders have haphazardly mailed out absentee ballot applications to 85,000 voters, but three-quarters of the requests went to homes in King County's solidly Democratic 7th Congressional District.

Rolland defended the mailing against arguments the party did nothing to help Democrats in tight House races.

"Our thing was not just for Congress, but to uplift the entire Democratic vote," he said. "We did a lot in King County in absentee votes because we have a huge number of Democratic districts that do not turn out."

Former state House Speaker Joe King, an influential Clark County Democrat, has been boosting Inslee.

"We need someone of substantial stature, recognized by business and labor, with a centrist record and a proven ability to organize and energize people. Jay fits that description to a T," said King.

The moderate Inslee is already attracting suspicion among some party liberals, who are dominant in some Seattle-area party organizations. The King County Democratic Central Committee discussed his prospective candidacy at a meeting earlier this week.

"The reaction was that he's pretty conservative for my crowd, but then we are the liberal wing," joked George Zander, Rolland's predecessor as state chairman.

Gov. Mike Lowry, who faces voters in 1996, has shown no sign of getting involved in who chairs the party.

Lowry is on a trade mission to Taiwan and was not available for comment. A senior aide quipped, "We don't do politics here at the governor's office."

Lowry's low popularity will be no joking matter for Democrats as they try to recover from last month's landslide.

In a summer poll by Elway Research, only about one-third of voters gave Lowry good marks. A September survey by McKeon & Associates showed only 25 percent of voters ready to re-elect him. By contrast, Montana's GOP Gov. Marc Racicot, also elected in 1992, received a 65 percent favorable rating in a recent poll. An Idaho survey showed retiring Democratic Gov. Cecil Andrus with a robust 65 percent approval rating.

Rolland said, however, that he expects Governor elect Gov. Lowry to top the Democrats' ticket in 1996.

Chairman Rolland saddled with election fiasco

By Joel Connelly
P-I National Correspondent

Washingto Post-Intelligencer, Friday, December 2, 1994
Business hails the GATT age
But green groups vow to keep earth issues in fore

By Imbert Matthee
P-I Reporter

Corporate Washington sighed with relief yesterday after the U.S. Senate overwhelmingly approved the landmark 124-nation global trade agreement that promises to knock down barriers to trade in Geneva, and eight years after talks first began in Uruguay, the Senate voted 76-24 to ratify the agreement. The vote brought the Senate's approval of the treaty also sends a strong message to such important trading partners as Japan, France and Canada, which haven't yet ratified it.

Representatives from some of the state's industries, notably forest products, were disappointed that GATT didn't deliver everything they wanted, Jones acknowledged.

Washington's Democratic Sen. Patty Murray and Republican Sen. Slade Gorton supported the most sweeping rewrite of global trade rules in four decades, The House, including all Washington representatives except Democrat Joel Unsoeld, had voted approval of the accord Tuesday.

"Tonight's vote was a tremendous victory for the people of the state of Washington," Murray said.

The president of The Boeing Co, Phil Condit, agreed.

"The Senate's approval of GATT is great news," said Condit, whose company placed a two-page ad in the Seattle Post-Intelligencer Wednesday to urge Senate approval of the treaty.

Murray, Condit and other GATT supporters say the treaty will create Washington jobs by reducing tariffs on the state's apples, cherries, wheat and forest products, and offering better protection against unfair foreign competition for products such as software and aircraft.

"It means up to 100,000 new jobs during the next 10 years," said Phil Jones, coordinator for the Washington Coalition for GATT, who lobbied the Washington and Oregon congressional delegations until the last minute before the vote.

Jones, who had expected the budget waiver to pass by a slimmer margin of 63-38, said in a telephone interview from Washington, D.C., that Congress' overwhelming approval of the treaty also sends a strong message to such important trading partners as Japan, France and Canada, which haven't yet ratified it.

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Japan, one of the world's largest importers of Washington forest products, has agreed only to cut its wood tariffs in half during the next five years. Other nations have agreed to cut tariffs on plywood, pulp and paper completely over the next 10 years.

But the state doesn't have any big losers, such as the textile industry of South Carolina, which faces competition from cheaper foreign imports as a result of GATT, Jones said.

GATT opponents had charged that seven previous rounds of trade talks since World War II have not cured America's chronic trade deficit nor stopped the flow of manufacturing jobs overseas. They warned that in textiles alone, one of this country's most protected industries, a million jobs could be lost.

But GATT passage hasn't killed the issue, Ortman said. Instead, the controversy it created has irreversibly tied trade to the environment, ensuring its inclusion in future talks.

"We're going to keep this issue before the public and look for other opportunities to raise these concerns," he said.

For example, environmental, labor and citizens groups will make sure ecological concerns become a part of discussions to create a free trade zone along the Pacific Rim, as proposed by President Clinton during last month's meeting of the Asia-Pacific Economic Cooperation forum in Jakarta, Indonesia.

At the conference, the 18 members of APEC agreed to work toward free trade and investment in the region, with developed nations eliminating their barriers by 2010, and developing countries doing so by 2020.

"We have at least 15 years to change things around," Ortman said.

This report includes information from The Associated Press.
Kemp
Concedes some wisdom in Prop. 187's message

Continued from A-1

foundly anti-conservative. Kemp had said it "could contribute to a nativist, anti-immigrant culture."

While not recouping those views, Kemp yesterday distanced himself from them with his tone and choice of words.

He also minimized the nature of his opposition, described it as a function of the measure's wording and not its objectives.

In a subsequent interview, Kemp stood by all his previous comments about the measure. But he allowed that passage of the initiative may well succeed in bringing new federal funds to California, as Gov. Pete Wilson has predicted it would.

"If that is the message, then certainly it is a victory for Pete Wilson and the people of California," he said.

Kemp's opposition to Proposition 187 stemming from some quarters as gutsy and principled two months ago, has since come to be seen as a serious liability to his presidential aspirations.

Meanwhile, enforcement of the measure has been halted because of numerous legal challenges.

Speaking to a breakfast forum organized by Point Loma Nazarene College and attended by more than 700 people — most of whom supported the measure, judging by applause — Kemp described the measure as a boon to California's agricultural industry.

"I think the message to Washington and the people of Washington is that the measure was cleared up," he said.

In particular, he cited this week's General Accounting Office study that estimated that illegal immigration will cost California $1.47 billion this year.

The study, commissioned well before the election, does not guarantee the federal government will reimburse those costs. He also told the audience that "it wasn't the message to Washington that I was opposed to. It was the way it was worded.

The former New York congressman praised Wilson for having "clearly up" that problem by stating "clearly that school administrators and not classroom teachers, would be expected to determine the citizenship of pupils."

"I'm glad he did it," Kemp said. "I think this is a wise move by the governor."

Kemp briefly apologized for "any hurt" he may have caused with his outspoken opposition, then awkwardly recanted his apology.

"I don't apologize," he said, "I don't apologize for suggesting that my daughter, a schoolteacher, should not be required to look at the color of someone's skin to determine whether or not they ought to be in that school. I don't want her to be an agent of the Immigration and Naturalization Service."

"Let's put it behind us," he urged the crowd.

Kemp's views were not endorsed yesterday by Bennett, the colleague with whom he issued a separate statement and not its objectives."

Bennett, however, declined to call forth 1.2 million people, "Let's put it behind us," he urged the crowd.

In a telephone interview, he said he would not "get into characterizing what this is for Jack, because I don't think that's clear."

But Bennett said he does not share Kemp's belief that Wilson has resolved the public education component of Proposition 187 by stating "that school administrators and not teachers will be removing children from schools.

"No matter what mechanism you use," said Bennett, "it's just a matter of choice. It should be clear that I was opposed to."

Kemp's view is that the INS should reimburse it for the cost of guarding illegal immigrants.

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By DERRICK O'PLEDGE
Copley News Service

WASHINGTON — In a test of his
strength and popularity after 14 years in
Congress, Rep. Duncan Hunter is vying for
a key Republican leadership post in the
new, GOP-controlled House of Represen­
tatives.

The El Cajon congressman is in a close
race for Republican Conference chairman
with Rep. John Boehner of Ohio. The victor
in next week’s intraparty election will be
the fourth-ranking Republican leader in the
House.

The conference chairman is responsible
for building policy consensus among rank-
and-file Republicans, a key task next year
as the GOP tries to get quick votes on
issues like school prayer and its ambitious
pre-election “Contract with America.”

If Hunter were to become chairman, he
would be the most prominent Californian in
the House Republican leadership and
would have the kind of clout that could
trickle down and protect the interests of
the state and his district.

The last conference chairman — Rep.
Richard Armey of Texas — has been
tapped to be the next House majority lead­
er, a sign the post can be a congressional
steppingstone.

Boehner, Hunter’s opponent, has served
in Congress for only four years but is a
close ally of Speaker-to-be Newt Gingrich
of Georgia. Boehner is handling personnel
issues for the GOP’s transition team.

“The main function of the chairman this
year is to move the conference through
what is going to be a very vigorous and
politically difficult agenda,” Hunter said.
“There is going to be a lot of pressure
placed on members by interest groups.
There are going to be some tough
choices.”

Among them are votes on a balanced
budget amendment, term limits, tougher
criminal penalties and increased defense
spending. Republicans also plan to aggres­
sively pursue welfare reform.

Hunter said the “Contract with Ameri­
can,” signed by a majority of Republicans,
contains “promises that have to be kept.”

“I think the American people want to see
those issues voted on.”

Veteran observers of the intraparty
election process say it is often unpredicl-
able. Some liken it to high school, where
student body elections are as much about
popularity as politics. Petty differences
and long-ago slights hold great sway. Promises
of support can be as fluid as cafeteria
Jell-O.

That’s why potential leaders spend their
money and time helping their colleagues
get elected to Congress. In the past two
years, Hunter contributed or raised about
$104,000 and visited 51 congressional dis­
tricts on behalf of GOP candidates.

“We have 115 (votes) but about 100 we
consider solid,” said Rep. Jim Saxlon, R-
NJ., who is managing Hunter’s campaign.
Hunter needs 116 votes to win the
chairmanship of the 230-member confer­
ce. Lawmakers will decide the election
by secret ballot.

Hunter said the leadership position
would not conflict with his duties on the
House Armed Services Committee, where
he is about to inherit the chairmanship of
the subcommittee on military installa­tions
and facilities, although he might take an­
other committee position. This also will be
determined next week.

Saxton described Hunter as strong,
willed but open to the viewpoints of his
colleagues. “I think he would be quite influ­
ential,” Saxton said.

Another Californian, Rep. Christopher
Fox of Newport Beach, is running for
chairman of the Republican Policy Com­
mittee. His opponent is Arizona Rep. Jim
Colbe.

On Wednesday, Rep. Vic Fazio, D-
Voodland, was elected chairman of the
Democratic Caucus.
Federalism's comeback
Washington should restore power to states, cities

Inside the beltway, it may seem a rather radical concept — that the federal government should cede to the states some of the powers that it has devolved to Washington in recent decades. But such a shift is precisely what the Founders had in mind when they wrote the 10th Amendment, which declares that "the powers not delegated to the United States by the Constitution are reserved to the states respectively ..."

As far as the nation's governors read it, the Constitution does not explicitly delegate to Washington the power to oversee the welfare system, or the health care system, or the criminal justice system, or the education system.

Thus, many governors, including California's Pete Wilson, are asking Congress and the White House to give the states wider berth to administer welfare, health care, criminal justice and education as they see fit. The states also are seeking relief from the thousands of mandates — many of which are unfunded — that Washington has imposed over the years.

A return to federalism would be a blow for good government. It hardly makes sense for Washington to impose one-size-fits-all regulations and mandates on 50 diverse states. What may work in tiny Rhode Island, for instance, may not work for a state as large and populous as California.

Moreover, when it comes to reform, states almost always have been ahead of the federal government. Indeed, while Washington continues to consider ways to fix the welfare system, such states as California, Wisconsin and Michigan have already put sweeping reforms in place. And while Congress failed to come up with acceptable health reform legislation this year, Tennessee has shown impressive results with its Tenncare program.

The same kind of progress could have been made on the crime front if Congress had not passed a bill that dictated to the states exactly how each law enforcement and crime prevention dollar must be spent.

It would have been far better for Congress to have approved block grants to the states and let legislatures determine how the funds should be used to promote law and order.

The same goes with education. The Clinton administration is pushing a national education agenda under the rubric "Goals 2000." The danger is that Washington will seek to influence what students are taught in the classroom by paying off states that comply with the federal model.

But curriculum decisions and education standards should be the purview of state and local officials, not federal bureaucrats in Washington. To the extent that the federal government provides local schools, funding, there should be few if any strings attached.

America's Founders knew what they were doing when they wrote the concept of federalism into the Constitution. They recognized that the government that governs best is that which is closest and most responsive to the people.

Zedillo's challenge
Turmoil lurks for Mexico's president

As Mexico's new president, Ernesto Zedillo will have to do more than simply continue the reform policies of his predecessor, Carlos Salinas de Gortari.

He must build on Salinas' success and spread reforms wider and deeper in Mexican government and society. Continued change is necessary to keep anarchy at bay.

For starters, turmoil threatens from the south as political tensions are rising among the Zapatista rebels in Chiapas. They have yet to see the reforms they demanded following their Jan. 1 uprising, and they may take their frustrations out on the new administration.

There's trouble from other directions, too.

The hard-liners within the ruling Institutional Revolutionary Party (PRI) may resist change by resorting to violence. There is also the daunting slide into lawlessness and crime, fueled in part by the rise in power of drug traffickers. Nor can Zedillo ignore the daunting poverty and deep distrust and cynicism that most Mexicans hold for their government.

One of Zedillo's first acts shows that he at least will confront the problem of trust. For the first time in the PRI's 65-year reign, Zedillo has brought an opposition politician into his cabinet. And it's a very key post. Antonio Lozano, a member of the National Action Party, has been named attorney general.

Salinas began some reforms of the political system. But in order to create a climate of trust in Mexico, Zedillo must reform the justice system. Cleaning up the judiciary will speed up all other reforms.

An attorney general from the opposition party would demonstrate to Mexicans that the corrupt legal system will not be business as usual.

But Zedillo has chosen, as his security secretary, a prominent "dinosaur" — an anti-reform, old-guard member of the PRI. While the appointment may be an attempt to co-opt the powerful opposition, the balance of power between an opposition figure, it is troubling nonetheless.

The biggest challenge Zedillo faces is to bring an end to the rule of the dinosaurs and let the political parties govern. But that may be a more difficult goal than reforming the judicial system.