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Folder Title:

The President's Trip to Germany (G-8 Summit), June 18-20, 1999 [1]

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. memo	Samuel Berger and Gene Sperling to President William J. Clinton re: Your Trip to Switzerland, France and Germany, June 16-22, 1999 (10 pages)	06/14/1999	P1/b(1) KBH 8/29/2019
002. memo	Secretary of the Treasury Robert Rubin to President William J. Clinton re: Your June 18 Meeting with Prime Minister Obuchi: Japan's Economic and Financial Situation and Global Issues (3 pages)	06/15/1999	P1/b(1) KBH 8/29/2019
003. paper	Friday Evening G-8 Dinner (3 pages)	06/00/1999	P1/b(1) KBH 8/29/2019
004. talking points	Summary Points for Friday Evening G-8 Dinner (2 pages)	06/00/1999	P1/b(1) KBH 8/29/2019
005. talking points	Friday Evening G-8 Dinner Key Points (3 pages)	06/00/1999	P1/b(1) KBH 8/29/2019
006. paper	Bilateral Meeting with Canadian Prime Minister Chretien (2 pages)	06/00/1999	P1/b(1) KBH 8/29/2019
007. talking points	Points to be Made for Meeting with Canadian Prime Minister Chretien (2 pages)	06/00/1999	P1/b(1) KBH 8/29/2019
008. report	Biography (2 pages)	05/25/1999	P1/b(1)

COLLECTION:

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The President's Trip to Germany (G-8 Summit), June 18-20, 1999 [1]

2016-0144-M

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RESTRICTION CODES

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

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

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

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**THE PRESIDENT'S
TRIP TO
GERMANY
(G-8 SUMMIT)**

JUNE 18 - 20, 1999

Office of the Executive Secretary

~~SECRET~~

The President's Trip to Germany (G-8 Summit)
June 18 - 20, 1999

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SCHEDULE OF KEY EVENTS

Friday, June 18

3:30 - 5:30 p.m.	G-7 Working Session
7:10 - 7:50 p.m.	Reception Hosted by the Lord Mayor of the City of Cologne
8:15 - 10:15 p.m.	G-8 Working Dinner

Saturday, June 19

10:00 a.m.- 12:30 p.m.	G-8 Working Session
12:40 - 12:50 p.m.	Leader's Group Photograph
1:00 - 2:30 p.m.	G-8 Working Lunch
3:00 - 4:00 p.m.	Pull-Aside Meetings with President Chretien and President D'Alema
4:00 - 5:30 p.m.	G-8 Working Session
8:00 - 9:30 p.m.	Charity Concert for Refugees of Southeastern Europe
10:00 - 11:30 p.m.	Informal Leader and Spouse Only Dinner

Sunday, June 20

10:00 - 11:30 a.m.	G-8 Morning Session
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THE WHITE HOUSE
WASHINGTON

June 14, 1999

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2016-0144-M (1.01)
3/6/2019 KBH

INFORMATION

MEMORANDUM FOR THE PRESIDENT

FROM: SAMUEL BERGER^A
GENE SPERLING^{GRS}

SUBJECT: Your Trip to Switzerland, France and Germany,
June 16-22, 1999

Your trip to Europe represents a unique opportunity to translate the successful outcome of the military campaign in Kosovo into a lasting achievement which naturally allows the Kosovars to return and rebuild their lives, but also advance your goals of a democratic and growing Southeastern Europe integrated into the European mainstream and a renewed partnership between Russia and the world.

You will find Europeans intensely relieved that the war in Kosovo has been won, impressed by their own unity, yet sobered by a continued dependence on American military might. In your meetings with leaders before, during and after the G-8 and U.S.-EU summits, you will want to move the Alliance from prosecuting the war to winning the peace: deploying KFOR swiftly and safely into Kosovo, bringing the refugees back home, rebuilding a shattered land, and stabilizing a region -- southeastern Europe -- that remains a weak link in Europe's growing chain of democracy and prosperous, open economies. As you put it, "there is an enormous opportunity to be seized: a chance to shift our focus from defeating something evil to building something good." At the same time, you might find some European countries more eager to lift sanctions and provide assistance to the FRY than we are, even if Milosevic remains in charge. In Germany, you will launch concrete initiatives -- including the Stability Pact and a Donors Conference -- that demonstrate your commitment to turn words into deeds. In Slovenia and Macedonia [t], you will take your message of commitment to the region to some of the people directly concerned.

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Reason: 1.5 (b, d)
Declassify On: 6/6/09

cc: Vice President
Chief of Staff

Both the G-8 and U.S.-EU summits also offer an opportunity to focus on the other primary source of concern in Europe: Russia. At the G-8, you will meet with Yeltsin (bilateral meeting) for the first time since the conflict in Kosovo began. It remains unclear what the state of play will be regarding Russian forces in Kosovo. Hopefully, Track One will be resolved and there will be a joint proposal for dealing with Track Two. The meeting will be affected by the status of this issue, which may still require attention. We will update you on this.

You will want to praise the decisive role Russia played in ending the crisis and, in so doing, its historic choice for democracy and integration with the West. At the same time, both summits will include detailed discussions of initiatives to deepen the West's engagement with Russia and Ukraine, including expanded threat reduction activities and support for economic reform.

You can use the centerpiece of this trip -- the G-8 Summit -- to refocus attention on one of the foundations of your domestic and foreign policies: sharing the burdens and maximizing the benefits of globalization. At the heart of the G-7/G-8 agendas are concrete steps to make globalization less threatening for those who feel the most vulnerable in industrial economies, emerging markets and the developing world: financial architecture reform, debt relief, strengthening social safety nets, improving education. Your ILO speech underscores your commitment to deepening the process of global economic integration while broadening participation in its benefits, notably through implementation of core labor standards around the world.

Wednesday, June 16, 1999 - Geneva and Paris

- Brief Meeting with Swiss President Dreifuss
- Speech to ILO
- Meet & Greet with French-American Business Council
- Private Dinner with President Chirac

In your meeting with President Dreifuss, you can praise the important role Switzerland has played in contending with the humanitarian crisis in Kosovo. This includes taking in more refugees per capita than any other country and serving notice on the FRY Foreign Ministry of our airdrops for displaced persons in Kosovo (flown by the International Rescue Committee.)

Your **ILO speech** -- the first by a U.S. president -- builds on your speeches at the WTO and the IMF/World Bank, and places the ILO on a par with those institutions as cornerstones of the 21st century global architecture. It caps a two-week annual conference that finds the 80-year-old organization invigorated by new leadership and the successful conclusion last year of the Declaration on Fundamental Principles and Rights at Work. You can highlight the key role labor standards play in broadening participation in the benefits of globalization and the ILO's critical role in strengthening those standards. You also can state U.S. support for a new ILO convention to eliminate the worst forms of child labor -- furthering a pledge you made in the State of the Union -- and propose the creation of a new ILO arm to provide technical assistance to developing countries to help implement core labor standards.

In Paris, you will meet briefly with the **French-American Business Council**. The brainchild of Ambassador Rohatyn, the Council brings together some 65 CEOs of the largest French and U.S. companies to discuss key issues in the bilateral trading relationship -- from business practices to bananas. The First Lady will join you for **dinner with President and Mrs. Chirac** at a restaurant Chirac has promised will top your culinary excursion in Paris two years ago. This *tete-a-tete* is a good lead in to your official meeting the next day -- an opportunity to further your strong personal relationship with Chirac.

Thursday, June 17 - Paris

- Bilat with President Chirac
- Bilat with Prime Minister Jospin

The "morning after" mood in France on Kosovo is a study in contrasts. On the one hand, strong leadership by Chirac and Jospin boosted the public standing of both leaders; each is relieved that Europe hung together and stayed tough with Milosevic; and each is proud that "European" diplomacy played a decisive role in ending the crisis. On the other hand, the French were chastened that the vast bulk of firepower in the Balkans was American, together with the most advanced command, control, communications and intelligence collection assets. Polls show that 90 percent of the French public recognizes our dominant military role and the need to bridge the capabilities gap if Europe is to have a real say in the conduct of future conflicts.

In your **bilateral meetings with Chirac and Jospin**, you will find both leaders focused on next steps in the Balkans, as well as interested in discussing lessons learned. France is eager to claim primary responsibility -- and credit -- for devising a strategy to stabilize southeastern Europe. Both leaders want the EU to take the top civilian role in Kosovo and, at least, the lead in rebuilding the Balkans economically and pressing its integration into mainstream Europe. The rub is that the French are not fully conscious of the massive, multi-year commitment of resources this effort will demand from them and their EU partners -- they expect the IFIs to bear the bulk of the burden. You should sober them to the realities of this undertaking while making clear the United States intends to play a role (assuming Congressional appropriations) in reconstruction and regional revitalization. The French see Kosovo as validating their efforts to build a strong European Security and Defense Identity (ESDI) -- a goal we support, provided it develops within a NATO context (too much rhetoric about European "autonomy" -- very much encouraged by the French -- plays into the hands of American isolationists); it is also important that ESDI produces concrete efforts to strengthen European capabilities. They will also take from the crisis a renewed determination to push every issue into multilateral fora, where they can leverage France's power at our expense.

The other key items on your agenda are Russia (you should stress that once Moscow meets its IMF targets the G-7 should move quickly to restructure Paris Club debt) and Iraq (regarding which Paris continues to float a flawed draft UNSCR that would lift sanctions in return for modest Iraqi cooperation with a weak disarmament regime.) Chirac may press you to support his call for a leaders summit (in France) on international financial architecture reform. You should tell him that we agree on the need to bring other economically significant emerging markets into the process and that Germany, as G-7 President, should spearhead this effort. We are working quietly with the UK and Germany on a formulation that is more likely to produce a productive and worthwhile meeting. You will want to urge both leaders to help us get the new WTO Trade Round off to a good start and to work through trade disputes with an eye toward preserving the open, rules-based international trading system which has helped Europe and the U.S. prosper. Chirac is engaged on the issue of food safety and GMOs; it will be important for you to state that we need a science-based approach.

Friday, June 18 - Cologne

- Bilat with Prime Minister Obuchi
- Bilat with Prime Minister Blair
- Bilat with Chancellor Schroeder
- G-7 Working Session
- G-8 Working Dinner

Your pre-summit **bilateral meetings with Blair and Schroeder** are opportunities to work through any last minute problems and coordinate summit strategy -- including how to handle Yeltsin.

Blair gained public support at home for Kosovo. You will want to compare notes on next steps in the Balkans, and on Russia. (Blair is eager to find new ways of stimulating greater engagement and greater incentives for reform -- the G-8 statement on close cooperation with Russia is an element of our strategy.) Iraq (pressing him not to undercut sanctions and disarmament for the sake of Security Council consensus), a Financial Leaders Meeting (asking him to help build support for an autumn meeting with key emerging markets), Jordanian debt (urging him to support forgiveness) and trade issues (seeking his help on concluding an Open Skies agreement and managing GMOs.) Blair also will want to discuss Northern Ireland, where devolution is to begin June 30. Blair -- who canceled a trip to South Africa to focus on Belfast -- is still formulating his strategy on the endgame.

Through his leadership on Kosovo, **Schroeder** has helped engineer one of the most profound developments in recent German history: the normalization of the country and the shedding of its Nazi past. By taking on his own core constituency and building a consensus for intervention, he has forged a "Drei Way" that is further confirmation of Germany's growing power in the center of Europe. Schroeder's Achilles heel is Germany's economy, plagued by persistent unemployment and sluggish growth. The easing of the Kosovo crisis is a double edged sword: the war diverted attention from Germany's domestic problems but also spoiled Schroeder's plans to devote his full attention to the economy (a subject he may take up with you when you dine at the conclusion of the Summit on Sunday.) In this meeting, you will want to discuss any open G-8 issues, next steps on Kosovo, and the Stability Pact, which Germany took the lead in drafting.

In your **meeting with Yeltsin**, the latter's unpredictable behavior and Kosovo developments will be wildcards. Chernomyrdin's role brought Russia into the spotlight for

Kosovo's peace agreement; the unpredictable beginning of Russia's engagement in peacekeeping raises questions that must be resolved by this meeting on its longer term role, it also raises issues of intra-government cohesion in Moscow. Yeltsin's recent triumph over the communists has given way to allegations that he is being run by the oligarchs, with some moderating influence from Chubays. Most Russians are fed up with continued economic decay, corruption and a lack of leadership; many resent Primakov's dismissal as he represented, for better or worse, stability. Yeltsin comes to Cologne desperate to produce concrete results that show he's in charge, relevant at home and a serious player on the international stage.

The G-7 can be responsive if Yeltsin (and his government) are willing to help themselves. Provided the Chernomyrdin-Ahtisaari deal holds, we can applaud Russia's central role in achieving a diplomatic solution, lock in Russian participation in KFOR and restore momentum to Russia's integration with the international community. On the economic front, Russian implementation of prior actions under its IMF deal could move forward a \$4.5 billion package and permit negotiations on debt rescheduling of \$5 billion in Soviet-era debt, but that will take a concerted effort by a new government consumed by internal power struggles. We have set a tight timeline to resolve a series of nonproliferation (Iran) problems that would allow us to increase the commercial space launch quota, keep alive the prospect of billions of dollars in future launch business and employ thousands of high-tech scientists. We may also be in a position to chart a path forward on the arms control nexus of START II/III and ABM/NMD. Your challenge will be to get Yeltsin to recognize that he can best help himself at home by working with the West, eschewing "bad boy" theatrics.

Schroeder has sought to keep the focus of both the G-7 and G-8 on economic issues, in large part to advance domestic political interests. Schroeder took office only a few weeks before assuming the Presidency of both the EU and the G-8; his administration has been challenged by these twin burdens.

The G-7 agenda is well-defined, with a focus on completing work to reform the international financial architecture and improving efforts to provide relief to countries with unsustainable debt burdens. The latter project, dubbed by the Germans the "Koln Debt Initiative," is meant to be a major achievement of the Summit, and represents an important shift in German policy. You will also want to reaffirm the importance of strengthening

demand-led growth in the EU and Japan; continued reliance on the United States as the single engine is not sustainable.

Your first objective is to show that the major financial powers have crafted an effective response to the financial crises of the past eighteen months -- largely reflecting U.S. leadership. Several steps already have been taken, such as the Contingent Credit Line at the IMF and the creation of a Financial Stability Forum. Agreement will also be reached on the major objectives we outlined in April, including steps to ensure private sector involvement in responding to future crises and, possibly, a finance ministers forum to include the major emerging economies.

Your second objective is to consolidate G-7 agreement on deeper, broader and faster debt relief for the countries in the Heavily Indebted Poorest Countries (HIPC) program. The aim is for countries making the right policy choices to have the opportunity to reduce unsustainable debt burdens to manageable levels. The changes will also help ensure that relief is directed to reducing poverty and meeting basic human needs of these countries. The new initiative must show a commitment on the part of contributing countries and the IFIs to come up with the necessary resources to finance these measures. The enhanced program should expand the number of eligible countries from 26 to 34 (excluding Liberia, Somalia and Sudan), and increase the net present value of relief from \$12.5 billion to \$40 billion (in nominal terms, \$73 billion). Our bilateral costs should amount to \$250 million, and the IFI costs will increase by about \$7 billion over 3 to 5 years, depending on how many and how quickly countries qualify.

A third objective for this session is to urge other G-7 nations to provide Jordan debt forgiveness (or direct grants of aid).

The **G-8 agenda** is much more diffuse. As the first meeting between the leaders of Russia and the West since the beginning of the NATO action in Kosovo, world attention will be turned to what the Summit leaders have to say on that subject. This will be the focus of the first evening's **working dinner**, and then addressed in a separate public statement that night. Your objective at the dinner is to maintain a united front among the G-8 on next steps over Kosovo both on peacekeeping and the broader goal of integrating the region politically and economically into Europe.

Saturday, June 19 - Cologne

- G-8 Working Sessions and Lunch
- Pull Asides with Prime Ministers Chretien and D'Alema
- Performance and Leaders Dinner

The remainder of the weekend will focus on a range of topics under the broad rubric of "Globalization." As this is Schroeder's first G-8, the Germans have shown an eagerness to revisit some issues, such as Employment or Crisis Prevention, covered in previous meetings. The overall thrust of the Summit fits nicely with your message of giving the world of open markets and global investment a "human face." Major topics include strengthening social safety nets and improving educational systems. (With G-8 education charter that mirrors the key elements of your strategy.) We have worked hard to attach concrete deliverables to Bonn's rhetoric. The leaders will endorse your initiative on an enhanced threat reduction program ("Nunn-Lugar plus") with Russia and the NIS (which the Germans privately refer to as the "Clinton Initiative").

In the G-8 session, your first objective is to secure commitments from Summit participants to policies that spread the benefits of globalization widely and help cushion the effects of dislocation. The G-8 Communiqué provides a catalogue of consensus steps that include: supporting your initiative to strengthen the ILO's capacity to help developing countries implement core labor standards; bolstering social safety nets; a commitment to rules-based and open trade; eliminating structural rigidities in labor markets; increased investment in education and training; and a focus on good governance as a key to both crisis prevention and effective development assistance.

Your second objective is to secure increased commitments from our G-8 partners, as well as other interested countries, to nonproliferation programs, to match our own efforts via the enhanced threat reduction initiative you announced in the State of the Union. The G-8 have agreed on the importance of these efforts to secure material in Russia and the NIS, and to provide constructive employment opportunities for their scientists, as well as renewed efforts to halt missile proliferation. To date, only Japan has made specific commitments to increase resources for these programs. You should appeal personally to other leaders to meet the challenge.

Your third objective is to demonstrate the G-8's continued engagement with Russia in cooperative aid programs which will help bolster reform. The planned G-8 Statement on Russia will show that Western efforts to assist Russia in its transformation are not limited to IMF and World Bank programs, and remind both the Russian and Western publics that microeconomic reforms and improvements must accompany macroeconomic reforms.

Sunday, June 20 - Cologne and Bonn

- G-8 Final Session
- Bilat with President Yeltsin
- Sign Stability Pact for Southeastern Europe
- Farewell to Bonn event
- Private Dinner with Chancellor Schroeder

Following the conclusion of the G-8, you will sign the **Stability Pact for Southeastern Europe** with leaders from Western Europe, the CEE and the region itself [t]. The Pact establishes a long term political commitment and set of principles to guide international efforts to stabilize southeastern Europe. Its three "working tables" (economics, security and democracy) will develop and coordinate these efforts. The Pact is not a detailed roadmap for development. It is a declaration that the Trans Atlantic community has a positive vision for southeastern Europe's future and a determination not only to fight the problem of instability but to fix it.

You then will take part in an embassy event that will double as a **farewell to Bonn**. The German government's move to Berlin -- and with it the focus of our operations in Germany -- is a symbolic culmination of 50 years of U.S. foreign policy. You will sign Bonn's "Golden Book" and present the Mayor with the keys to the American Chapel, our parting gift to the city. Your remarks provide an opportunity to highlight for the press the most noteworthy Summit results.

Your **private dinner with Schroeder**, in a restaurant outside of Bonn, is an opportunity to thank him for Germany's extraordinary international leadership these past six months (G-8, EU and WEU presidencies; Kosovo) and to deepen the personal relationship you established at the White House in February.

Monday, June 21 - Bonn

- U.S.-EU Summit Meeting
- U.S.-EU Press Conference

Your ninth U.S.-EU Summit finds the Commission and the EU at a crossroads. The early resignation of the Santer team over waste and fraud charges was a body blow, but gives Romano Prodi (who takes over this Fall) the mandate for a fresh start. At the same time, the EU's economic stagnation -- including weak growth and the six-month old Euro dropping 12 percent toward parity with the dollar -- is counterbalanced by an increasingly assertive foreign policy. Twenty-five years ago, Henry Kissinger snickered that when it comes to security and defense affairs, Europe does not even have a telephone number. Now it does, and the person on the other end of the line will be Javier Solana, selected last week as the EU's first foreign policy czar ("Mr. CFSP.") The EU is also pushing forward with ESDI, to give itself the capability to mount its own campaigns without America's might. For all this bravado, the Bosnia and Kosovo crises showed how far Europe still has to go to be taken seriously as a military power. Nor is it clear the political will in Europe exists to spend the billions of dollars it will take to build a stronger European defense pillar.

Since your last summit, we have worked well with the EU on Kosovo and on drafting the Stability Pact for Southeastern Europe; our disputes over sanctions have diminished; and we have made modest progress on defusing trade disputes. The EU has proven a useful mechanism in imposing sanctions and an oil embargo on the FRY, and we have also kept the EU as the lead organization for Kosovo reconstruction. On the other hand, enormous time and goodwill have been expended on destructive trade disputes. One of the deliverables for this summit is an "Early Warning" system to detect and defuse trade disputes before they become crises. You will also want to propose cooperative work to address concerns about GMOs and to ensure a strong WTO Ministerial. We also will agree to expand cooperation on Russia (including threat reduction, food aid coordination and combating infectious diseases) and Ukraine (energy sector reform and civil society development.) You will issue the "Bonn Declaration", which highlights the importance of the U.S.-EU partnership in meeting our common challenges, including bringing southeastern Europe and Russia/Ukraine into Europe's mainstream, combating transnational threats, and giving globalization a human face. As the centerpiece of the Summit, you will announce a Fall Donors Conference for southeastern Europe, to match our rhetoric with concrete financial commitments.

**SECRETARY OF THE
TREASURY MEMO**

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.
June 15, 1999

SECRETARY OF THE TREASURY

MEMORANDUM FOR THE PRESIDENT

FROM: Robert E. Rubin *R. E. R.*
SUBJECT: Economic Issues at the Cologne Summit

Following my meeting with other G-7 Finance Ministers on Saturday, I want to give you my sense of the key economic and financial issues going into the Summit. There are five areas of particular note: global economy; financial architecture; debt reduction; and Russia and Kosovo.

- On the **world economy**, prospects have improved – at least in the sense that the risk of serious contraction has been greatly reduced – but growth prospects are still highly uncertain: performance in Europe and Japan is still too weak, and both remain too dependent on generating growth through exports.
- On **architecture**, we have been quite successful in building consensus around our agenda for strengthening a market-based financial system in ways that could help reduce the risks of future crises, and better respond to crises when it occurs. However, the French may continue to push for their IMF “Council,” which has little – if any – support from other G-7 countries and which would, in our view, reduce our capacity to mobilize the IMF in support of U.S. objectives.
- On **debt**, the agreement on the table will reduce the debt of the poorest countries by almost three-quarters. Other leaders will want a commitment from you to an increased U.S. financial contribution to pay for this effort; we are not in a position to give specific commitments at this time, but you can reiterate your pledge to work with Congress to find the resources. The UK continues to push for modest additional steps while Germany, Japan and France are resisting. I personally think we have found the balance and program that is in the best interests of the indebted countries. I have attached to this memo, and also sent you under separate cover, a one-page memo entitled “A Slight Dissent on Debt Forgiveness,” in response to your note that “more is better.”
- The **Russians** are now asking for, and we may be able to support, a general statement that offers the prospect of a more comprehensive debt rescheduling in the future, contingent on a more ambitious economic reform program after the June 2000 presidential election, and an IMF agreement.
- In **Kosovo**, we need to move very quickly on the initial humanitarian and repatriation effort, but the broader reconstruction effort needs to take into account a hard-headed assessment of

the needs, the strategies and projects most likely to work, and financial realities even if we expect the Europeans to pay the lion's share.

In addition, you should be aware that we have reached agreement on a way to involve the Presidency of the Euro-11 in the G-7 Finance Ministers and Central Bank Governors process. This new compromise seeks to preserve the small, informal and effective character of these meetings while recognizing the shifting of power in Europe. Meetings would be split into two parts, with the President of the European Central Bank and the Euro-11 President participating in discussions of exchange rates and the review of economic performance in G-7 economies, and national central banks participating in talks on other issues concerning the international financial system. The European Commission would not participate in meetings, except on specific issues (such as Russia). This compromise has broad support within the Euro-11 (although the Commission may continue to voice objections, since their role remains unchanged).

World Economy

The outlook for the global economy has improved since the Birmingham Summit and especially since the point of greatest pessimism last fall. The U.S. economy continues to advance; though with real risks. Asian emerging market economies are beginning to recover. The decline in Brazil may be less severe than first thought likely (a real credit to the combination of international assistance and domestic reform). Japan has taken some important steps in both the macroeconomic policy and banking reform areas.

However, substantial risks remain, and growth continues to be sub-par, particularly in Japan and Europe. There were good first quarter growth reports for both Japan and Germany, but the Japan numbers contain statistical anomalies that prevent drawing firm conclusions about the course of the Japanese economy. The calmer atmosphere in markets risks tempting some emerging market economies to slow down politically difficult macroeconomic and structural reform efforts.

With U.S. trade and current account deficits increasing, it is particularly important that Europe and Japan achieve stronger, domestic demand-led growth. Both economically and politically, the United States cannot continue to provide the main stimulus to global recovery. The world needs more than one engine of growth. In addition to supportive macroeconomic policies, structural reforms are needed to provide incentives to create jobs and higher private investment, thereby strengthening growth abroad.

Strengthening the International Financial Architecture

Since the G-7 Leaders' Statement of last October, much has been accomplished in our efforts to formulate and implement a plan to reform the international financial architecture. Beginning

with your speech to the Council on Foreign Relations, U.S. leadership has driven the substantial progress that is reflected in the G-7 Finance Ministers' Report. The report contains important new proposals and reflects concrete achievements to date, including establishment of the Contingent Credit Line in the IMF – as you proposed – the creation of the Financial Stability Forum, revision of the Basle capital requirements for banks, and various forms of greater transparency. Key issues for your discussion will be:

- **Mechanisms for Cooperation and Dialogue:** We have reached consensus on a number of measures to strengthen the international financial institutions, building on proposals made by several G-7 countries. This includes agreement on our proposal to establish an informal mechanism for dialogue among systemically important countries' to include key emerging markets in ongoing discussions on global economic and financial issues.

However, the French have not given up their fight to transform the IMF's Interim Committee into a Council – despite lack of support from the rest of the G-7 – and **we expect President Chirac to raise this in both your bilateral and the G-7 session.** We have gone a long way toward the French by agreeing to rename the Committee and give it permanent standing. We feel strongly that transformation into a Council (which has very specific meaning in the IMF) would alter the balance of power between IMF management and shareholders and thereby reduce our oversight and ability to achieve U.S. interests in the IMF. You should know that the rest of the G-7 either opposes or is unenthusiastic about the French initiative.

Jim Steinberg is still in the process of exploring G-7/G-8 support for a Leaders' meeting on globalization, to build political consensus beyond the G-8 on the crucial issues confronting the global economy.

- **Private Sector Involvement:** We agreed on a framework for determining the appropriate role that private creditors should play in preventing and resolving financial crises. The framework, which the U.S. proposed, lays out principles and tools for private sector participation on a case-by-case basis. We believe it will help shape expectations so that creditors do not make decisions that assume protection by the official sector, and it also preserves the flexibility essential to resolving individual situations in the most effective manner. Rigid rules, as some others had proposed, could risk precipitating avoidable crises or causing greater contagion.
- **Exchange Rates:** We have won agreement on our proposal that the international community should not provide large-scale financing to countries defending particular exchange-rate levels, except in certain exceptional circumstances such as credible currency boards. Attempts to maintain unsustainable pegs were at the core of all of the recent crises, and this agreement provides countries with a strong incentive to adopt sustainable exchange-rate regimes. It is consistent with our beliefs on the broader question of exchange rates. We believe the most viable approach for emerging market countries is to choose either floating

exchange rates or rates fixed through strong institutional arrangements, although there is no explicit G-7 consensus on this latter point.

- **Social Protections:** There is a firm consensus on the need to reduce the impact of financial crises on the most vulnerable in society. We urge the World Bank and the IMF to work together to identify policies and best practices to guide the design of crisis adjustment programs, and to collaborate in the preparation of public expenditure reviews that can help advise countries on how to establish and fund effective and efficient social safety nets. We also call on the IMF to assist countries in developing macro-economic policies that take account of the adequacy of social-sector spending and better ensure that the least vulnerable do not bear the greatest share of the adjustment burden during crises.
- **Hedge Funds:** Although positions within the G-7 and even within our own government have differed, the Working Group on Financial Markets report broadly reflects our approach to managing the risks posed by HLIs (highly-leveraged institutions) – greater disclosure and improved risk management by HLIs and enhanced supervision of bank lending to HLIs. This approach, which Alan Greenspan and I presented does not call for direct regulation of hedge funds, which we concluded is not warranted at this time. The Financial Stability Forum will undertake further consideration of HLI issues, a process we support and believe will satisfy the desire of others to continue the debate. We expect to be able to build international support for our approach, which is based on strong analysis.

Debt Relief for the Poorest Countries

The G-7 finance ministers have produced a report for you and the other leaders that closely matches the proposals you outlined for the Heavily Indebted Poorest Countries (HIPC) earlier this year at the Africa Ministerial. We estimate that this new initiative would more than triple the amount of debt forgiven – leaving countries with a little more than one-fourth of their debt outstanding – and expand the number of countries eligible for assistance. At the same time, the Initiative maintains the existing and critical linkage between relief and reform. There are three main components to the package:

- **Poverty Reduction:** The new initiative is built around a new framework of policy conditions that provides for a greater link to poverty reduction, sustainable development and environmental protection.
- **Deeper Debt Reduction:** The new initiative would provide significantly deeper debt reduction to eligible countries, including through 100 percent cancellation of concessional loans, and deeper reductions in non-concessional loans by governments and loans by the international financial institutions.

- *Faster Relief:* The new initiative would allow eligible countries to benefit from cash flow relief through earlier reductions in debt service and earlier reductions in the stock of debt outstanding.

The costs of this initiative are substantial, particularly to the international financial institutions. You may receive pressure to quantify a specific commitment to help meet the increased costs of the initiative. You should not provide a specific figure but pledge personally to work to find the budgetary resources for the U.S. to fund its part and to contribute to an expanded HIPC Trust Fund – a fund financed by bilateral contributions to offset the costs of reducing debt to the regional development banks. Debt relief will encounter substantial difficulty in Congress. One sympathetic, senior Democrat said that even our current request is unlikely to be approved, and IMF gold sales – which should be a no-brainer – are encountering great resistance in Congress.

This package is responsive to the concerns expressed by NGOs and religious groups, but it does not provide unconditional or complete forgiveness, both of which we think would be counterproductive. The history of debt relief and international assistance more generally is that it only works in the context of real economic reform. Poland, Mexico and Mozambique are just three examples of countries that pursued real reform and, with debt relief and other forms of international assistance achieved sustained growth. Russia is the clearest example of a country in which debt relief without reform fails to produce growth.

Debt relief not conditioned on reform might well be wasted in the sense of producing little if any last effect; total forgiveness would increase the likelihood of unsound borrowing in the future, and reduce the likelihood of attracting private sector capital over the longer term, which is requisite for long term growth. In addition, the proposal we have outlined substantially exceeds the means we have thus far been able to identify to pay for debt relief, and this program will thus necessarily compete with a broad range of other international priorities.

Russia

Russia has made progress toward achieving some economic stability and meeting some of the preconditions of its new program with the IMF. However, and very importantly, this program is not one that promises the type of substantial economic reform necessary to put Russia on a path to sustainable economic growth. Nonetheless, the Russians are eager to have up-front support from the G-7 for more generous debt relief in the future, which would be contingent on implementation of a more ambitious economic reform program after the June 2000 presidential election.

Recent performance in the economy has been mixed. On the positive side, the economic collapse, which many had predicted following the August 1998 financial crisis, has not materialized. Inflation is under control and the ruble has stabilized. The 70% devaluation and

oil price recovery has made Russian firms more competitive leading to growing trade and current account surpluses and an increase in cash, as opposed to barter, trade in the economy. This, in turn, has helped Russia to meet the IMF tax collection targets in April and May and maintain its reserve level (currently \$12.0 billion) despite having to pay out over \$3 billion in external debt payments since the beginning of the year. Barring any new political crises, it appears that Russia's economy can remain relatively stable for the next several months even if it is unable to secure IMF funding by early-mid July as is currently targeted. On the negative side, battles between reformist elements and rent-seeking Kremlin insiders on the one hand and the Communist-dominated Duma on the other mean that little reform other than the bare-minimum required by the IMF and World Bank is likely to occur until after the June 2000 presidential elections.

The replacement of Primakov with Yeltsin's hand-picked choice for Prime Minister, Sergei Stepashin, has neither derailed Russia's rather modest efforts at reform nor significantly increased the government's capacity to implement its agreed IMF and World Bank programs. Stepashin's government does appear committed to implementing the IMF program conditions despite continued Duma opposition to some of the provisions. The conditions will not, however be completed before the Summit. Yeltsin could ask for our support in weakening the IMF conditions; this is something we should resist strongly. The current program calls for only the bare minimum of reforms which are needed to sustain the current relative economic stability, plus satisfaction with respect to prior use of IMF resources and the offshore management of reserves. The IMF also has shown a willingness to be flexible in considering different policy means to achieve the same ends, but such a course would delay the program's approval by the IMF.

Formal discussions in the Paris Club on restructuring Russia's debt can begin only when the IMF program has been approved. The Russian officials have informally agreed to a temporary rescheduling of "Soviet-era" debt (roughly half the amount due) covering the length of the IMF program (18 months) – but we have not begun negotiations on terms. They understand that discussions on a long-term solution to Russia's debt situation will not begin until after the Russian presidential election, solid performance has been achieved under the current economic program, and a far reaching economic reform program has been put in place. A long-term agreement may or may not include debt forgiveness. Germany, by far Russia's largest creditor, strongly opposes debt forgiveness for Russia. Despite these understandings, President Yeltsin may push for G-7 commitments on significant debt forgiveness on Soviet-era debt. While you should clearly acknowledge the need for an eventual multi-year approach to Russia's debt burden, you should make clear that a long-term debt agreement can only be achieved once a clearer economic and political path for Russia has been established. You can also note that the currently envisioned temporary debt rescheduling provides, in the short run, cash flow benefits similar to forgiveness.

Kosovo and the Front-line States

The United States Government is fully committed to the urgent effort to move quickly on humanitarian assistance and the repatriation program, including the need to address immediate reconstruction costs. We are engaged very actively with other donors to reach agreement on moving ahead. More challenging from our perspective are the tasks of designing an economic framework for Kosovo given its political status, identifying financing to close the remaining gap for the surrounding countries affected by the crisis, and undertaking a hard-headed evaluation of the economic strategy and costs of longer-term reconstruction.

More broadly, as the U.S. government and the international community become engaged in the process of reconstruction and institution-building in Kosovo, Treasury's strong view is that economic issues must be a central part of that process. In particular, it is critical that a post-conflict provisional administration for Kosovo be structured to limit Kosovo's continued financial and fiscal dependency on Belgrade. Consequently, we and others in the Administration will be working closely with the IFIs, the U.N., and the E.U. to develop market-oriented institutions and policies designed to strengthen Kosovo's autonomy.

There has also been much talk of holding an early donors conference for Kosovo and the region. We have proposed a two-stage process under which the international community would begin with a conference in late July on refugee repatriation and immediate reconstruction needs, and then follow with a full-fledged Kosovo/regional pledging conference later this year. The first conference would serve as a stepping stone to the full-fledged donors conference, once a soundly-based needs assessment is finalized. The World Bank and the E.U. expect to begin that assessment in the next several weeks.

Both the immediate donor coordination effort and the process to deal with the tougher economic and financial policy challenges are being addressed through High Level Steering Group coordinated by the World Bank and the EU, in which the United States is participating. This process will be separate and distinct from the EU-sponsored Stability Pact for Southeast Europe and its economic "working table." We view the economic component of the Stability Pact as a forum for discussion of ideas and broad economic objectives for the region (e.g., integration into Europe), not as a duplicative track for directing economic assistance.



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DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

SECRETARY OF THE TREASURY

June 15, 1999

MEMORANDUM FOR THE PRESIDENT

DECLASSIFIED
PER E.O. 13526

2016-0144-M (1.02)
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FROM: Robert E. Rubin *R E R*

SUBJECT: Your June 18 Meeting with Prime Minister Obuchi:
Japan's Economic and Financial Situation and Global Issues

Since your May 3 meeting with Prime Minister Obuchi, developments have not changed our view that Japan's economic outlook still appears difficult, and that the current account imbalances among the United States, Japan and Europe are at levels which could be a source of concern over time.

Prime Minister Obuchi may call your attention to two developments:

- Data released on Japan's GDP for January-March 1999 showed very surprising growth of 1.9 percent (7.9 percent annualized) over the previous quarter, following five quarters of contraction. However, we do not believe that these official data provide firm evidence of a turnaround in Japan's economy, and Finance Minister Miyazawa at last Saturday's G-7 meeting also seemed somewhat skeptical with respect to the significance of this report.
 - Monthly data for the period did not suggest such strong growth as that recorded, and this may indicate that the GDP figure will be substantially revised later on.
 - Given the volatile nature of Japan's GDP data, one statistically strong quarter (after five successive quarters of decline) does not prove a recovery is underway.
 - Strong public works spending in the quarter may indicate that most of the stimulus spending adopted in 1998 has been used, and that it may run out soon, absent a new substantial supplementary budget.
- On June 11, Japan's cabinet adopted a package of measures to facilitate corporate restructuring and support job creation. While Prime Minister Obuchi has said that the package will result in as many as 700,000 new jobs, he has not indicated how much additional fiscal support he will commit to this. (Finance Minister Miyazawa has suggested ¥500 billion --\$4.2 billion -- which represents only about 0.1 percent of Japan's GDP.)

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Class. by C. Atkinson/Declass: 06/14/09
Reason: 1 (b) and (d)

~~CONFIDENTIAL~~

- The overall impact of the June 11 policy package on the strength of Japan's economic recovery, at least in the short run, will be negligible, unless it is, in fact, supported by more substantial fiscal expenditures. However, if implemented as planned, it could help to support sustainable recovery over the medium term.
- The cumulative impact is unclear of the package's measures to facilitate restructuring (for example, easing bankruptcy proceedings). However, whatever impetus this package adds to cushioning the employment effects of ongoing corporate restructuring, unemployment is likely to continue to rise as companies downsize.

I am concerned that Prime Minister Obuchi may use these developments as an excuse for not committing to a substantial supplemental budget that includes spending on public works as well as employment support in time to avoid a hiatus in fiscal stimulus in the second half of 1999. I hope you will emphasize that Japan needs to use all available tools to restore domestic demand driven growth. That will require:

- Sustained and substantial macroeconomic stimulus until solid domestic demand is restored;
- That Japan not make the mistake again (as in 1997) of letting the stimulus fade early before private demand has recovered. It is very important that confidence be given to the market that the stimulus will continue until private demand is strong.
- Continued work on the financial system, including aggressive disposal of bad assets and improvements in the bankruptcy and liquidation regimes to facilitate this; and
- Increased progress on market opening. This is particularly important in view of current account imbalances.

It is vital that Japan not become complacent because of these GDP data. When this happened in 1997, Japan's shift to fiscal consolidation sent the economy into a tailspin, worsening the situation in Asia.

Global Issues

As you know from your last meeting with Prime Minister Obuchi, Japan is very reluctant to forgive Jordanian debt because Jordan is not a HIPC or least-developed country. However, I recommend that you use this opportunity to follow through on your commitment to King Abdullah to press the G-7 for debt forgiveness (Japan is Jordan's largest creditor). Although the Japanese will likely refuse to forgive Jordanian debt, they may be willing to offer other forms of

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Reason: 1 (b) and (d)

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assistance (on a smaller scale).

On HIPC, you may wish to thank Japan for moving toward the G-7 consensus. Japan did this in part on the understanding that you would state publicly your general commitment to seek increased financing contributions to HIPC.

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Class. by C. Atkinson/Declass: 06/14/09

Reason: 1 (b) and (d)

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

SECRETARY OF THE TREASURY

June 15, 1999

MEMORANDUM FOR THE PRESIDENT

FROM:

Robert E. Rubin *R. E. R.*

SUBJECT:

A Slight Dissent on Debt Forgiveness

You recently noted on a memo from Larry Summers and me on the status of G-7 negotiations for debt reduction for Heavily Indebted Poorest Countries (HIPC) that "more is better." From my perspective, however, even with the well-being of the poorest countries being the only criterion, sometimes "less is more." Good intentions – or politically popular and fashionable intentions – do not always produce the best results.

Some argue that people in poor countries should not be held responsible for the debts of prior leaders, especially when civil society is not well developed and there was large-scale corruption. That makes creditors responsible for the "integrity" of the borrowing region. Given the political conditions in most developing countries – or at least the uncertainties – that would result in very little credit going to such countries. Who would lend to Russia, India, Pakistan, Ukraine, or most of Africa if subsequent renouncement for pervasive corruption were a principle?

What our proposals would do is to reduce debt to a level that could reasonably be expected to be serviced by HIPC countries over the long-term, for countries that pursue non-inflationary growth, and poverty reduction policies that can become self-sustaining and which inspire confidence in savers and investors. This combination provides the best chance of having lasting effect. For example, Mozambique -- a current HIPC recipient with real reform -- has had substantial growth for some number of years, though from a low base. The history of international assistance in any form is that it almost always works only if the country eats its spinach, to use a phrase you use jokingly.

Over time, HIPC countries will only grow if they can attract foreign investment. Full debt relief undermines the principle that debt should be repaid, and so reduces the likelihood of achieving that longer run objective of foreign capital inflow. That is one reason, why, for example, South Africa does not seek debt relief in any form, and why Alexander Hamilton insisted that the revolutionary war debt of the new states be paid – after realistic rescheduling – by the new country.

Also, the practice of total debt relief increases the risk that borrowers will be even more ill-disciplined than they are in future borrowing, in the expectation that unsound debt may well be forgiven.

Apart from the desirable, we face real constraints on what we can finance. We live in a world of very limited political willingness among the taxpayers of donor nations, particularly the U.S., to finance assistance for poor countries. The program we have proposed already exceeds identifiable sources of finance, and we cannot credibly commit to do more unless we can finance more. We cannot finance more for debt relief without some risk to other forms of development assistance, including from the IFIs. The Jubilee 2000 momentum will eventually have to compete with the Kosovo-related costs, not to mention Jordan, AIDS and other desirable programs.

SCENESETTER: G-8 ARRIVAL CEREMONY

BACKGROUND

Museum Ludwig. The arrival Saturday morning is at the Ludwig Museum, located on the eastern corner of the Dom Square (Heinrich-Böll-Platz). The Ludwig and the Wallraf-Richartz-Museum form one architectural unit that was completed in 1986.

SCENARIO

When you arrive, you will walk up a winding path that leads to the second level and the entrance to the Museum. As you walk, you will be flanked by U.S. children attending local schools. Upon arrival at the top of the path, you will greet Chancellor Schroeder in front of the press as the United States and German national anthems are played. After the anthems are played, you will go inside into the cafeteria to wait with the other leaders who will have already arrived. (You will be the seventh leader out of eight to arrive). You will all hold here until the last of the other leaders has arrived. You will all then go upstairs to the third floor meeting room.

SCENESETTER: G-8 COLOGNE SUMMIT

Cologne, the cultural capital of the Rhineland, is Germany's fourth largest city (population 937,000), and is the largest city in the state of North Rhine-Westphalia. The city, situated on the left bank of the Rhine River, dates to the first century B.C., when Roman invaders colonized it. The Franks and Prussians both ruled the city at one time. The city has at different times marked itself on the map: as a major Roman fortification under Emperor Claudius; as a powerful base of the Roman Catholic Church in the Middle Ages; and today as one of Germany's largest and liveliest cities.

Despite considerable damage during World War II, many historic buildings remain. The Cologne Cathedral, standing on the site of a church completed in 873, is the largest Gothic church in northern Europe and houses art treasures that span more than a millennium. Over 1.5 million people visit the cathedral every year. More than 54,000 students study at the University of Cologne, which was founded 600 years ago. The city houses the German Ford Automobile works, and is famous for hosting the annual "Photokina," the largest photography, film and video fair in the world.

G-7 WORKING SESSION: FRIDAY AFTERNOON

The Event and the Audience

The G-7 Heads will hold a plenary session on Friday, June 18, from 3:00 p.m. to 5:00 p.m. in the Gürzenich. You, the other G-7 Heads of State and Government, and the President of the EU will discuss the state of the global economy, reforms to the international financial architecture, the Cologne Debt Initiative, and nuclear safety in Ukraine.

Gürzenich

This building is a reconstruction of the 15th century "Gentlemen's Dance Hall," a two-story representational building expressing the patrician spirit of the city fathers. In the late 15th and early 16th centuries, the Gothic structure was used for meetings of emperors, dukes and bishops as well as lavish festivities of the nobility. It serves today as a concert hall as well as a place for representational events and festivities.

G-8 SUMMIT WORKING DINNER: FRIDAY

The Event and the Audience

The G-8 Heads will attend a reception starting at 7:00 p.m., on Friday, June 18 in the Historisches Rathaus (Historic Town Hall). This will be followed by a working dinner at the Römisch-Germanisches Museum. At the dinner, you, the other G-8 Heads of State and Government, and the President of the EU will discuss Kosovo and related topics including the Stability Pact and the Southeast Europe Initiative. Following dinner you will return to your lodgings for the rest of the evening.

Historic Town Hall

Cologne's Town Hall is a pastiche of medieval towers, Roman foundations and post-war extensions dating from 1360 to the 1950s. The Renaissance loggia at the front entrance, built in 1573, was the site of proclamations by the Cologne city council, which was often at odds with the archbishops who ruled from the Cathedral. The balustrade above the entrance depicts a former mayor of Cologne, victorious after being thrown into a lion's den by the church authorities. The Town Hall Tower, originally dating from 1414, is another powerful symbol of the townspeople's struggle against the power of the church. A grotesque bearded face, facing east under the tower's clock, sticks out its tongue on the hour, an intended affront to the archbishop. The area in front of the building was a Jewish quarter from the 10th century until the Jews were expelled from Cologne in 1424. Ruins from a Jewish ritual bath, or mikva, can be seen from the Town Hall Square through a glassed enclosure. A street sign that says "Judengasse," or "Jewish Lane," is part of the city's effort to actively remember its Jewish past.

Römisch-Germanisches Museum

The Dionysus Mosaic is the beautifully preserved highlight of Cologne's Römisch-Germanisches Museum (Roman-Germanic Museum) located to the south of the Cathedral. Discovered during the war in 1941, the mosaic is a rare example of an artifact around which a whole museum was built. The many other treasures of the museum -- an exquisite glass and jewelry collection as well as examples of architecture and design were all found in the city or in the near vicinity. They document Roman life and culture in a city that began as a colony nearly 2000 years ago. The gigantic burial monument of the Roman officer Poblicius, unearthed in the 1960s by two Cologne children digging in their

backyard, shows the prosperity and significance of the city in the early centuries. The collection of the museum grows larger every year as new construction sites present the city's archeologists with new finds.

G-8 SUMMIT WORKING SESSION: SATURDAY

The Event and the Audience

The G-8 Heads will hold working sessions throughout the day on Saturday, June 19. You, the other G-8 Heads of State and Government, and the President of the EU will arrive in protocol order at Museum Ludwig on Heinrich-Böll-Platz starting at 9:30 a.m. There you will be welcomed by Federal Chancellor Gerhard Schröder. A working session begins at 10:00 a.m. to take up the world economy, trade issues and Russia. At 12:30 p.m. the Summit participants will move out into Heinrich-Böll-Platz (or, if the weather is bad, to the basement of the Museum Ludwig) for a "Family Photo." At 1:00 p.m. you and the other participants return to the Römisch-Germanisches Museum (the site of your previous evening's dinner) for a working luncheon, where the discussion topic will be "The International Agenda", including Middle East Peace Process, Cyprus, Jordanian debt, and the environment. At 3:00 p.m., following lunch, you and the others return to Museum Ludwig for a "retreat" for one hour of unscheduled time, which will provide you an opportunity for bilateral sessions with Prime Ministers D'Alema and Chretien. You will then reconvene in full session at 4:00 p.m. to discuss social safeguards, employment and education. The session adjourns at 5:30 p.m., and you will be free until 8:00 p.m. At 8:00 p.m. there will be a concert by the Cologne Philharmonic for the benefit of Balkan refugees. You and the First Lady, the Heads of State and Government from the other G-8 countries and their spouses, the President of the EU and his wife, other members of the official delegations, and members of the general public will attend the concert at the Philharmonic, which will be broadcast on television. The concert will be followed by an informal dinner for Heads of State and Government and their spouses at Restaurant Em Krützche.

Museum Ludwig

Located on the eastern corner of the Dom Square (Heinrich-Böll-Platz), the Wallraf-Richartz-Museum and the Museum Ludwig form one architectural unit that was completed in 1986. The latter houses an impressive collection of 20th century art donated by

the chocolate manufacturer and art collector Peter Ludwig and other private collectors. The collection includes German expressionists, Picasso and Braque, classic modern art, American Pop Art, and Russian avant-garde art.

Philharmonic

The Cologne Philharmonic is a sleek and modern concert hall that seats about 2000 listeners in a half-round seating design. Completed as part of the Museum Ludwig complex in 1986, the hall is paneled in Canadian red oak, which gives a warm visual and acoustic tone. The Cologne Philharmonic ranks in the top class of international venues, with modern dance festivals and musicals filling out the concert season.

Restaurant Em Krützche

Em Krützche offers fine regional cooking and a charming old-Rhineland feeling. House specialties include duck and wild pig, cooked in traditional fashion.

G-8 SUMMIT WORKING SESSION: SUNDAY MORNING

The Event and the Audience

The G-8 Heads will hold a final working session on Sunday, June 20 from 10:00 a.m. to noon at the Museum Ludwig. (The only session Yeltsin, himself, is likely to attend). The discussion topics could include crisis prevention, development assistance, nonproliferation and disarmament, and the millennium bug (Y2K) problem, as well as final approval of the Summit Communiqué. The working session will be followed by a Chairman's press conference at the Gurzenich and press conferences by the other Heads of State and Government at the Heumarkt Press Center. You will depart the Museum Ludwig at the conclusion of the working session, and make your remarks to the press later in the day at the American Embassy in Bonn.

G-7 FRIDAY AFTERNOON

FRIDAY AFTERNOON G-7 SESSION

This session will cover the gamut of G-7 issues, including a review of the world economy (topics that may well be discussed again in a similar fashion in Saturday morning's G-8 session). The meat of the session, however, should be discussion of progress to date and onward plans for reforming the international financial architecture, and reviewing the improvements agreed to enhance the Heavily Indebted Poorest Countries (HIPC) program. The latter is something Chancellor Schroeder, in particular, has sought to make a centerpiece of the Cologne Summit's results. A final topic will be nuclear safety in Ukraine. Following the session Germany will release the G-7 Statement.

Global Economy

The discussion should review the global, especially G-7 or G-8, economic situation with a view to discussing policies to strengthen growth and employment, prevent a resurgence of inflation, and reduce trade and current account imbalances. For some countries -- notably Japan and the continental Europeans -- achieving these objectives will require particular emphasis on structural reforms in labor, product and capital markets; for Japan, continued pursuit of the banking sector cleanup is vital. For Russia, the focus should be on implementing the reforms recommended by the IMF in the short run. Over the medium and long run, Russia needs to develop its institutions to strengthen rule of law, property rights, etc.

Your objectives should be to:

- Reassure the other leaders that the United States is working to ensure that our solid non-inflationary growth is sustained over the long term.
- Point out the risks to the global economy if continued weak growth outside the United States leads to persistent large increases in U.S. trade and current account deficits.
- Stress the importance of a revival of sustained growth, led by domestic demand -- particularly for Japan and the continental European countries.
- Emphasize the value of structural reforms to free up markets for job creation and the encouragement of private investment over the medium term.

Others will argue that they are doing all they can, that the United States needs to raise its low saving rates to cut its external deficits.

Emerging Markets

Growth in Latin America is likely to resume in the second half of 1999 after last year's economic and financial shocks, but the region remains vulnerable to new shocks and cannot afford to become complacent and relax its economic adjustment and reform policies. Asian crisis countries are expected to begin recovering this year, but growth will continue to be held back by the weak performance of the Japanese economy and the transition costs associated with difficult but necessary reforms in the financial and corporate sectors. The Russian economy has stabilized considerably in recent months, benefiting primarily from the ruble devaluation (which has boosted competitiveness) and higher oil prices, rather than from any significant progress on economic reform.

State of the U.S. Economy

The current expansion is now the longest peacetime expansion in U.S. history, and unlike those of the past, has picked up momentum as it has matured. After rising at roughly a 3 percent rate in the early years of the expansion, real GDP accelerated to 4 percent over the last three years and growth continued at a rapid pace into 1999. The pickup occurred despite a drag from a widening foreign trade balance, as the domestic sectors of the economy surged ahead. Labor markets remain very tight but wage costs and prices pressures are under control. Higher productivity and low inflation have resulted in a pickup in real wages without an acceleration in unit labor costs. Inflation pressures are remarkably absent. Along with low unit labor costs, low import prices and competitive pressures from abroad have helped to restrain domestic prices for goods. Reducing the Federal deficit was a key factor in spurring the economic expansion, allowing interest rates to come down and stimulate private investment. The swing in the Federal budget from deficit to surplus resulted in an increase in the net national saving rate since 1992 despite a decline in personal saving. The national saving rate more than doubled from a post-World War II low in 1992 to 7.4 percent in 1998. Growth is expected to gradually slow over the next several years and move back to its long-run sustainable rate of about 2-1/2 percent.

International Financial Architecture

The broad set of reforms of the international financial architecture that you will be endorsing will help build an international financial system that promotes global growth, contributes to broadly sharing that growth, is less prone to crisis, and is better able to manage crises when they occur.

U.S. leadership has been critical in work on the financial architecture, both within the G-7 and more broadly. Keying off your speech to the Council on Foreign Relations last fall, the United States has taken the lead in defining the agenda for reform and in driving forward the major policy changes. In areas where we have come up against serious policy differences with one or another G-7 member (highly leveraged institutions, exchange rate regimes, proposal to transform the Interim Committee into a Council), we have worked out solutions that temporarily sidestep the issue's resolution. The result is a set of concrete, workable proposals that will, taken together, improve the strength and resiliency of the global financial system. Some measures are already in place, such as the IMF precautionary facility that you first called for last October.

You should engage with other Heads to reaffirm the importance of this work. Momentum must not slip before all our recommendations are put in place.

Report to Heads on International Financial Architecture

The Report by Finance Ministers summarizes steps taken and calls for further action in six areas. Highlights of our main accomplishments and areas for further action are:

Strengthening and reforming international financial institutions (IFIs) and arrangements. We are securing the ability of the international financial institutions to continue playing a central role in the global financial system. We call for steps to focus their work on new areas and make their efforts better complement and reinforce one another. We have set up the new Financial Stability Forum to bring together national authorities and international regulators and the IFIs to improve cooperation on financial and regulatory policies, and it has started work on three key issues: the implications of highly leveraged institutions, off-shore centers, and short-term capital flows. The Forum's working groups already include several emerging market representatives, and we will expand the Forum's permanent membership by September to include several key emerging market economies. We have also gotten agreement on our proposal to establish a broad, ongoing group that includes Finance Ministers

from key emerging market countries to work on systemic issues.

Enhancing transparency and promoting best practices. Greater transparency and disclosure is essential for markets to function efficiently, and it promotes sounder policies in the public sector. We have addressed gaps in the IMF's Special Data Dissemination Standards (SDDS) and call for enhanced reporting of external debt and financial indicators. The IMF and World Bank, themselves, are taking important steps to become more open and transparent about their policies and operations. We also have sharpened the focus on countries' efforts to meet best practices and standards across a range of areas -- from new IMF codes to promote transparent policy-making to international economic and financial standards in the broad range of areas that are critical for financial stability, like Basle Core Principles. All G-7 countries share this goal and have agreed to draw the standards together into a compendium.

Strengthening financial regulation in industrial countries to promote sound risk analysis by creditors and investors. Because reducing the excesses of the booms will reduce the likelihood and severity of busts, we are creating better incentives for creditors and investors to analyze risk through revisions of the Basle Capital Accord and other measures to encourage sounder lending decisions and a focus on risk management. We also are making specific, practical recommendations for dealing with the risks associated with hedge funds and other highly-leveraged institutions. Other G-7 countries support these steps, but France and Germany may still want to look further at the pros and cons of specific leverage limitations, and other measures to regulate hedge funds directly. We believe the most sensible way to constrain excessive leverage in the system and reduce systemic risk is by improving disclosure and risk-management practices among the firms, and by strengthening banks' management of their exposures to hedge funds. We have agreed not to include it in the Minister's Report, but the French are still pushing to elevate the IMF's Interim Committee (with over representation of Europe, and under representation of emerging economies) into a policy-making 'Council.' Chirac may raise this idea in your meeting.

Strengthening macroeconomic policies and financial systems in emerging markets. Many of the countries hit by recent crises actively recruited short-term capital inflows and increased their vulnerability to financial shocks. Weak financial systems heightened vulnerability and worsened the crisis when it hit. Moreover, pegged exchange rate regimes magnified the risks. We call for the establishment of best practices in debt management to provide better protection against market disruption,

recommend safeguards to limit foreign currency exposure of banking systems where financial sectors are weak, and we have asked the IMF to study the pros and cons of the transitional use of controls on capital inflows as countries strengthen domestic financial systems. On exchange rates, the language in the report reflects honest differences of views about the right regime for emerging markets -- not all share our view that the best choices for emerging markets are probably flexible rates or fixed rates backed by strong institutional arrangements. Japan, in particular, believes countries should peg rates to a basket of currencies. However, the report does state clearly that provided large scale official financing should not be provided for a country that is intervening heavily to support a particular exchange rate level, except in certain exceptional cases. We have pushed hard for this, since it will shape expectations going forward.

Improving crisis prevention and management, and involving the private sector. Prevention is key, and the new IMF Contingent Credit Line (CCL) that you first called for last year should protect countries with sound policies from contagion and create new incentives for good policies. The report also includes a key policy statement that lays out the framework of principles and tools for involving the private sector in the resolution of crises. The framework should help to shape expectations going forward and reduce the risk that private creditors will act based on an expectation that they will be protected from adverse outcomes. The consensus we have forged around this framework recognizes the difficult balance that we must strike in each case. On the one hand, the steps we take must not undermine the obligation of countries to meet their debts in full and on time, otherwise critical flows of private capital will dry up and the potential for contagion will increase. On the other hand, market discipline will work only if creditors bear the consequences of the risks that they take. This section of the report likely will generate the most interest among market participants.

Promoting social policies to protect the poor and most vulnerable. G-7 countries all agree on the need to ensure that the most vulnerable do not bear the brunt of crises and the need for effective social policy to ensure that the benefits of globalization are widely shared and equip people for change. We are calling on the World Bank and IMF to increase the attention they give to social issues in designing assistance programs and to collaborate on public expenditure reviews to balance economic reform and social responsibility, improve efficiency and ensure better prioritization in these expenditures. We are also calling on countries to ensure that, when a crisis hits, budgets

for core social programs are maintained at pre-crisis levels, or at least are not disproportionately cut in relation to other budget items. With our strong encouragement, the World Bank has distilled principles of good practice in social policy and will report in September on ways to support their implementation by countries and through the IFIs. Developing countries have been reluctant to create formal social safety nets, preferring instead to rely on family support networks. In Asia, burdens proved too great for families alone. G-7 heads have an important role to play in convincing developing-country leaders to establish social safety nets to help families weather change and crisis.

Future Leaders' Meeting

The endorsement of G-7 Heads will give a critical political impetus to the adoption of these reforms. Because we believe that it is important to build political support for these reforms at the highest levels beyond the circle of the G-7, we have explored the prospect of a Leaders' Meeting with a broader group of countries, including emerging markets. Our goal for the meeting is to sustain support for globalization, to build a broader consensus around the agenda for financial and economic reform and to promote the social policy measures that will equip people around the world to prosper in a modern economy.

Koln Debt Initiative

The G-7 has largely supported the debt initiative you announced at the African Ministerial on March 16, 1999. The proposed modifications to the HIPC initiative retain the strong emphasis on promoting poverty reduction and your commitment to provide deeper debt reduction for countries that demonstrate a strong commitment to economic reform and good governance. Areas that might be raised among Heads are deeper debt reduction targets and burden sharing. France, Italy and Japan, which have large outstanding bilateral overseas development assistance (ODA) debt, were reluctant about committing to 100 percent concessional ODA debt reduction. In addition, the French argued for higher burden sharing based on our share of industrial country GDP. We believe burden sharing should reflect more than just the capacity of a country to contribute development assistance and take into account the global responsibilities undertaken by the United States.

The proposed changes to HIPC should expand the number of eligible countries from 29 to 33, and more than triple the amount of relief available from \$12.5 billion in constant 1998

dollars to \$40 billion. Our bilateral costs should be \$250 million, with IFIs' costs increasing by about \$7 billion.

Targets for Deeper Debt Relief. We have reached agreement on one target level of relief to be provided, with Japan finally accepting a target net present value (NPV) of debt to exports set at 150 percent down from the current 250 percent. On revenue targets, however, the French and Japanese are still pushing for more modest reductions, with the UK isolated in favor of a proposal with prohibitive costs.

Faster Relief. We are close to an agreement on a series of proposals that would allow eligible countries to benefit from cash flow relief through earlier reductions in debt service and earlier reductions in the stock of debt outstanding.

Financing Debt Relief. Our direct bilateral costs are likely to be \$250 million to reduce \$3.5 billion outstanding. The costs to the international financial institutions are likely to increase by about \$7 billion. The costs to the World Bank and regional development banks could probably not be financed without an unacceptable reduction in their ability to provide concessional resources for their poorest borrowers. We think the best way to finance these additional costs is through an existing World Bank fund, the HIPC Trust Fund, that is financed by bilateral contributions that are now devoted to helping to reduce the costs of debt reduction for the regional Multilateral Development Banks (MDBs). An expanded Trust Fund, with total contributions in the range of \$3 billion, would probably be sufficient. Remaining costs could be met through future replenishments and the concessional lending arms of the MDBs.

We expect IMF gold sales of 10 million ounces and other resources we have identified in the IMF would cover most, if not all, IMF costs. With the current German government's more favorable disposition to HIPC, G-7 countries are now broadly in favor of IMF gold sales of up to 10 million ounces to support the Fund's ongoing participation in HIPC. In the past, Italy has expressed opposition but indicated that it would not stand in the way of a deal that enjoyed broad support. Other G-7 countries, in particular France, Canada and the U.K., have supported IMF gold sales for some time.

Appropriate Burden Sharing. We believe an appropriate burden sharing formula would be around 20 percent for the United States, along the lines of that used for recent IDA-12 replenishment. Given their large share of outstanding ODA and relatively small share of donor GDP, the French may argue for a larger share for the United States. The United States accounts

for only 12 percent of the outstanding ODA debt owed to G-7 creditors. By comparison, Japan's share is 44 percent, the French share is 25 percent and Germany's is 14 percent. Canada and the UK forgave virtually all of their ODA debt. The United States forgave about \$3 billion in ODA debt of the poorest and has provided primarily grants to HIPC countries since the mid-1980s in recognition of their limited ability to take on new debt obligations.

Ukrainian Nuclear Safety

At this meeting we should seek G-7 agreement on key measures to help Ukraine sustain its commitment to close Chernobyl in the year 2000 in accordance with the 1995 G-7/Ukraine Memorandum of Understanding (MOU). Ukrainian election-year politics and the stalled economic reforms have complicated this effort. Kuchma says his commitment to close Chernobyl is contingent on full grant funding to repair the Chernobyl sarcophagus (which requires filling a \$350-400 million gap); approval of a multilateral loan for completing two reactors, Rivne-4 and Khmelnytsky-2 (R4/K2); and increased G-7 support to help purchase fossil fuel for the period between Chernobyl shutdown and commissioning of the first completed reactor. For our part, the G-7 needs Kuchma to keep up new-found momentum to implement sorely needed power sector reforms -- focused on the strategic privatization of power distribution companies -- to allow continued support.

The G-7 has agreed to work on finding needed funds to complete the Chernobyl sarcophagus project and press Russia to continue its supply of cost-free technical advice on the sarcophagus. The G-7 will call a pledging conference before the next summit to ensure the needed financing. You should support the G-7 and EBRD efforts to help Ukraine take the necessary steps to secure the Rivne/Khmelnytsky loan by mid-summer. In this context, it is important that Ukraine institute power sector reforms to make that sector and the R4/K2 loan financially viable.

SUMMARY POINTS FOR
FRIDAY AFTERNOON G-7 SESSION

- **Global Economy:** Outlook for global economy has improved, but need to avoid excessive optimism. Resolute action remains essential. The United States is acting to ensure that our non-inflationary growth continues over the long term. Structural reforms important for jobs -- politically difficult, but essential to improving medium-term economic performance. Outlook in Latin America, Asia and Russia not as bleak as in recent past, but we must remain vigilant.
- **U.S. Economy:** Investment-led expansion; household sector surging. Rapid growth drag from widening foreign trade deficit. Job growth has been maintained throughout. Inflation subdued. Industrial production well below capacity. Budget surplus contribute to doubling of national saving rate.
- **International Financial Architecture:** Strive for standards and best practices for financial sector. Promote sound risk analysis by creditors and investors. Constrain leverage through improved disclosure and risk management. Need to reduce reliance on short-term capital and foreign-currency exposure. Sustainable exchange-rate regimes important. Presumption against official financing to pegged rate. Private sector involvement framework is practical, case-by-case approach with policy statement that shapes expectations. Bank and IMF must increase attention to social issues. Making Interim Committee permanent, without making a Council, meets all our needs. (Seek support for Leaders' meeting and group that includes Finance Ministers from key emerging markets.)
- **Koln Debt Initiative:** Agreement is a major achievement -- deeper and faster relief. Strengthen links between debt relief and sustainable development, poverty reduction and good governance. Ensure overall debt sustainability on basis of export capacity; provide fiscal space for social sector programs. IFIs make maximum effort to use own resources; United States prepared to help, especially regional MDBs. IMF gold sales key. Prepared to seek an increased contribution to the HIPC Trust Fund, in line with burden sharing agreement in recent IDA replenishment.
- **Ukrainian Nuclear Safety:** New commitment to sarcophagus. Pledging conference in 1999 or early 2000 to fill gap. Will support reactor loan if meets due diligence. EXIM open to portraying in support of U.S. firms. Power sector reform closely tied to due diligence. Privatization of distribution companies is win-win.

FRIDAY AFTERNOON G-7 SESSION

KEY POINTS

Global Economy

- Outlook for global economy has improved since last Summit in Birmingham: United States continues to move ahead, European Monetary Union is off to a good start, Japan has taken some important steps, Asian emerging markets beginning to recover, "contagion" has not been a problem in Latin America, and we have seen an improvement in market confidence.
- However, need to avoid excessive optimism. Some risks to global recovery remain, and resolute action remains essential. Emerging market economies must continue their reforms, and build their social safety net systems.
- We need to work together to contribute to global recovery.
- U.S. is acting to ensure that our non-inflationary growth continues over the long term. We have restored government finances and avoided dissipating our budget surpluses with massive tax cuts. The national saving rate has doubled since 1992, despite the drop in personal saving. We are working to put Social Security and Medicare on a more sustainable basis over the next century.
- With U.S. trade and current account deficits increasing, it is particularly important that other industrial countries achieve stronger, domestic demand-led growth. Both economically and politically we cannot continue to provide the main stimulus to global recovery. The world needs more than one engine of growth.
- In addition to supportive macroeconomic policies, structural reforms are important to provide incentives to create jobs through higher private investment. I recognize that structural changes in labor, product and financial markets are politically difficult. But they are essential to improving medium-term economic performance.
- The outlook in Latin America, especially Brazil, is significantly better than a few months ago, but vulnerabilities remain and we must stay vigilant.

- We welcome recent signs indicating that the economies that were severely affected by the Asian financial crisis are starting to recover; however, we cannot become complacent and must continue to support and encourage their governments to fully implement their structural reform programs.
- While there are some signs that Russia's economy is stabilizing, these positive trends will only be sustainable if Russia resolutely implements the reform program it has agreed with the IMF and World Bank.

U.S. Economy

- This has been an investment-led expansion and that sector is still one of the primary drivers of growth today. Much of the strength has been in purchases of capital equipment such as computers and other high tech goods.
- The household sector has also been surging, supported by rising real wages, low unemployment, and increases in net worth primarily due to the rising stock market. Housing investment has advanced at double-digit rates.
- Rapid growth in the United States has occurred despite a drag from a widening foreign trade deficit. Weakness abroad has restrained growth in U.S. exports while strong demand from the domestic sectors of the economy has pulled in imports at a rapid pace. In 1998 the current account deficit reached a record \$233 billion (nominal terms), but this represented 2.7 of GDP. This is smaller than the 3.6 percent share in 1987 when the previous record was set.
- Job growth has been maintained throughout the expansion, with over 18 million new jobs added since the beginning of 1993. Manufacturing has been a weak spot in the jobs picture over the past year, affected by global economic conditions and shrinking exports.
- The unemployment rate has been at or below the 5 percent mark for the past two years, a level not seen since early 1970. The rate fell to 4.2 percent in May.

- Wages and salaries have been rising. Combined with very low inflation, this has led to a pickup in real earnings after decades of stagnation. Faster growth in productivity, which has been much stronger than its long-term trend, has kept unit labor costs low.
- Consumer price inflation was less than 2 percent in the last two years, one of the lowest rates since the 1960s. A drop in petroleum prices was one of the factors contributing to that favorable performance, and there may be a somewhat larger increase in inflation this year as petroleum prices reverse.
- Price growth should still be subdued, however. Prices for imported goods other than petroleum continue to decline, keeping domestic commodity prices under control. Industrial production is operating well below capacity.
- The budget is projected to continue to show surpluses throughout the forecast horizon. Thus far through FY99 the surplus is on track to exceed the \$79 billion that had been projected.
- The swing in the Federal budget from deficit to surplus resulted in an increase in the net national saving rate since 1992 despite a decline in personal saving. The national saving rate more than doubled from a post-World War II low in 1992 to 7.4 percent in 1998.
- In its February budget projections, the Administration assumes that growth will slow from its current rapid rate to about 2 percent over the next few years, then move back gradually to its long-run path of about 2-1/2 percent. The near-term slowdown is expected to result mainly from the waning effects of stock market gains on consumption, slower growth in investment and residential construction, and continued weakness abroad.

International Financial Architecture

Among the key points of agreement in the Report to Heads are:

- Agreement on a meeting of a **broad group that includes Finance Ministers from key emerging markets** to work on systemic issues. This builds on the success of the G-22 and G-33 initiatives of the last two years, and is very important to the long-run stability of the global system.

- All countries should strive to implement **internationally accepted standards and best practices** for the financial sector, and we need to intensify our efforts to assist this process and monitor countries' progress toward this goal in a transparent way.
- Measures to **promote sound risk analysis** by creditors and investors are key to systemic stability, and we need to follow through on our recommendations to provide better incentives through improved risk management. Revisions to the Basle Capital Accord will be very important here, for example.
- We agree that it is important to constrain excessive **leverage** in the system, and believe this can be achieved through improved disclosure and risk management by highly-leveraged institutions, and by strengthening banks' management of their exposures to hedge funds. The President's Working Group report on hedge funds, just released, makes further suggestions in this area.
- **(If asked)** We believe it is important to take these measures first. We do not believe that further actions to regulate hedge funds directly, or to establish international credit registers, are justified at this time. There are serious questions about the practicality of some proposals, especially the risk that increased regulation will just push these activities offshore.
- Among the most important measures that **emerging market countries** can take to reduce their vulnerability to crisis are reducing their reliance on short-term capital and minimizing the foreign-currency exposures of weak banking systems. We must follow through on our recommendations in these critical areas.
- The recent crisis has emphasized the importance of sustainable **exchange-rate** regimes backed by sound, credible policy commitments. We will be sending a strong signal by our stated presumption against large-scale official financing for a country that is intervening heavily to support a particular exchange rate.
- Adoption of the IMF's **Contingent Credit Line** (which you first proposed last October) is a very positive step. It will help

protect countries with sound policies from contagion and create new incentives for countries to adopt good policies.

- A sound framework for addressing the critical issue of **private sector involvement** in crisis prevention and resolution. It is a practical, case-by-case approach that seeks to balance powerful competing considerations, recognizing both the obligation of countries to pay their debts and the need for creditors to bear the consequences of the risks they assume.
- The Report to Heads presents a framework of principles and tools for involving the private sector in the resolution of crises. This should help shape expectations and reduce the risk that private creditors will act based on assumptions that they will be protected from losses.
- It is essential that the **benefits of globalization are widely shared** and that people are equipped to handle change. We must follow through on our consensus that the most vulnerable members of society should not bear the brunt of financial crises.
- The World Bank and the IMF must increase the attention they give to **social issues** in the design of assistance programs. This should be done in coordination with efforts by countries to ensure that, when a crisis hits, budgets for core social programs are maintained at pre-crisis levels or, at least, are not disproportionately cut in relation to other budget items.
- Giving Interim Committee permanent standing as the International Financial and Monetary Committee -- without transformation into a decision-making Council -- is a solution that meets all our needs. A Council would inappropriately alter balance of power between management and shareholders and might appear to elevate IMF above other IFIs.
- [Seek support for/applaud agreement on the U.S. proposal for a **Leaders' Meeting** in the fall with a broader group of countries, including emerging markets. Such a meeting will be very important in building political support for the reforms endorsed by the G-7, in sustaining support for globalization, and promoting social policy measures that will equip people around the world to prosper in a modern economy.]

Koln Debt Initiative

- The proposed modifications to the Heavily Indebted Poor Country (HIPC) debt initiative will deliver deeper, faster relief -- thus increase the prospects for a robust and lasting exit from the debt problems of these countries.
- The linkages between debt relief and sustainable development, poverty reduction and good governance will be strengthened.
- A more generous target of 150 percent would ensure that overall debt sustainability is achieved based on the export capacity of these countries; provide more fiscal space to finance social sector programs; and provide a cushion to allow private sector debt to be serviced within the existing balance of payments constraints.
- This more generous program is not without its costs. Our challenge is to meet these costs without significantly affecting new lending.
- The IFIs need to make the maximum effort to use their own resources to finance deeper debt relief, but the United States is prepared to help meet these costs, particularly for the regional MDBs.
- Our agreement on sales of IMF gold will be key to meeting IMF costs.
- We are prepared to seek an increased contribution to the HIPC Trust Fund, but believe our share of the costs should be in line with the burden sharing agreement reached in the recent IDA (concessional loan window) replenishment of the World Bank.

Ukrainian Nuclear Safety

- Encourage the G-7 to agree to announce a new commitment of \$300 million to the sarcophagus by early October.
- Reinforce with UK and Japan the value of holding a pledging conference in 1999 or early 2000 to help raise grant funds from other countries to fill the gap in funding for the sarcophagus project of just under \$400 million.

- Reassure the G-7 that the United States will support the reactor loan for Ukraine if it meets the EBRD's due diligence requirements. We need to reinforce to Kuchma the importance of his government's recent progress on power sector reform to meeting the financial due diligence requirements.
- EXIM may be prepared to support U.S. firms' participation.
- Ukraine is in a win-win situation if it implements strategic privatization of distribution companies and other crucial power reforms. Not only will the reforms help Ukraine get the reactor loan, but they will also improve the financial position of the sector.
- Reforms will also improve nuclear safety throughout Ukraine, as increased cash in the sector will allow more resources for regulatory oversight, and it will alleviate the cash shortages that are complicating fossil fuel purchases.

RECEPTION
LORD MAYOR OF COLOGNE

SCENESETTER: RECEPTION HOSTED BY LORD MAYOR OF THE CITY OF COLOGNE

BACKGROUND

Historic Town Hall

Cologne's Town Hall is a pastiche of medieval towers, Roman foundations and post-war extensions dating from 1360 to the 1950s. The Renaissance loggia at the front entrance, built in 1573, was the site of proclamations by the Cologne city council, which was often at odds with the archbishops who ruled from the Cathedral. The balustrade above the entrance depicts a former mayor of Cologne, victorious after being thrown into a lion's den by the church authorities. The Town Hall Tower, originally dating from 1414, is another powerful symbol of the townspeople's struggle against the power of the church. A grotesque bearded face, facing east under the tower's clock, sticks out its tongue on the hour, an intended affront to the archbishop. The area in front of the building was a Jewish quarter from the 10th century until the Jews were expelled from Cologne in 1424. Ruins from a Jewish ritual bath, or mikva, can be viewed from the Town Hall Square through a glassed enclosure. A street sign that says "Judengasse," or "Jewish Lane," is part of the city's effort to actively remember its Jewish past.

SCENARIO

The Event and the Audience

The G-8 Heads will attend a reception starting at 7:00 p.m., on Friday, June 18 in the Historisches Rathaus (Historic Town Hall). You will be greeted in front of the entrance to the Town Hall by Chancellor Schroeder. (By Protocol arrival, you should be the last to arrive, unless President Yeltsin decides to attend the reception.) Inside the Town Hall, in the foyer where the reception will be held, you will be greeted by the Lord Mayor of Cologne, Dr. Norbert Burger and by the Premier of the State of North Rhine-Westphalia, Wolfgang Clement. You will then sign the "Golden Book." Lord Mayor Burger will then make brief remarks, followed by Chancellor Schroeder, to the assembled audience of 600 guests. All leaders will depart at 8:00 p.m. for the G-8 working dinner.

**G-8 FRIDAY WORKING
DINNER**

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FRIDAY EVENING G-8 DINNER

**DECLASSIFIED
PER E.O. 13526**

2016-0144-M (1.03)
3/6/2019 KBH

SESSION OVERVIEW

Depending where we are in the discussions with Moscow, the dinner could easily be dominated by continued efforts to bring Russia into KFOR. The UK and France have felt excluded from these discussions, and might see this as an opportunity to become involved -- or at least to be seen as being part of the process. Your colleagues will want to get a sense of whether Russia intends to help in Kosovo, as long as we adequately acknowledge its role, or whether it will be a source of continued distraction and disruption.

You will want to use the dinner to focus your colleagues' attention on other urgent matters, including the rapid establishment of a UN civil administration, the quick deployment of international civil police to provide for basic law and order, and the development of a common approach to Belgrade. If Kofi Annan has not yet selected his Special Representative for Kosovo, this might also be a point of discussion. We expect the leaders to issue a statement on Kosovo following the dinner. Below are themes that may be useful.

While Kosovo will dominate the discussion, this may be the only opportunity to raise other political issues: Jordan debt, the foreign ministers' initiative on Cyprus and tensions between India and Pakistan.

OBJECTIVES

KOSOVO

- Advance arrangements to bring Russia into KFOR, while protecting the principles of effectiveness and unity of command already agreed by G-8 Foreign Ministers.
- Focus your counterparts on what must be done next to make the peace succeed:
 - ensure full FRY withdrawal by June 20 - the 11th day of the withdrawal period and the last day of the G-8;
 - establish a secure environment for all citizens of Kosovo and expedite humanitarian relief to those in need;
 - set up an interim civil administration under the UN;

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Reason: 1.5 (b) (d)

Declassify on: 06/15/09

- move forward with planning for economic reconstruction under leadership of EU.
- Seek consensus on common approach to Belgrade, including denial of assistance for economic reconstruction as long as Milosevic remains in power.

Broad Themes

Implement principles agreed by Foreign Ministers and endorsed by UN Security Council Resolution 1244.

Insist that all Serb forces be withdrawn by June 11, as agreed by FRY authorities in the Military-Technical Agreement. If not, KFOR must be ready to use enforcement authority.

Avoid a lag in civil implementation. Build up a UN presence quickly, including international civil police, so as to provide effective interim administration and basic law and order. With help from OSCE, the UN should also move quickly to establish provisional structures involving the Kosovars themselves.

Begin reconstruction of Kosovo as soon as possible. Encourage the EU to set up a Kosovo reconstruction agency, with streamlined procedures, and an early donors' conference for immediate rehabilitation needs.

Remember that Milosevic is responsible for the recent violence. Signal to Belgrade that the rest of Serbia will be deprived of international recognition and reconstruction assistance until there is political reform and a new leadership.

Most Likely Areas of Controversy

Allies. Some allied leaders (such as Italian Prime Minister Prodi) might press to lift sanctions, including the EU oil embargo, as soon as possible. This would be perceived as a victory for Milosevic, and increase his staying power.

Russia. Prime Minister Stepashin will be reluctant to endorse any statement critical of Milosevic, or denying reconstruction assistance until his departure. Stepashin might also promote the G-8 as vehicle for consultations and decision-making on Kosovo in order to diminish the influence of the NAC.

Japan. Prime Minister Obuchi has expressed an interest in an increased profile for Japan on Kosovo diplomacy to match its \$210 million pledge for humanitarian aid and reconstruction. Provided it retains some role in decision-making, Japan should remain supportive of our goals and policies.

REGIONAL ISSUESCYPRUS

G-8 foreign ministers recommended at their June 9-10 meeting that summit leaders urge the UN Secretary General to resume comprehensive Cyprus settlement negotiations, without preconditions. There is strong British support for the initiative, and the French, Canadians and Italians have overcome initial concern about the Turkish reaction. Notwithstanding Turkish concern about unhelpful Russian meddling, we believe that a strong statement can give important impetus to the resumption of talks and send a powerful signal to Turkey that Cyprus is an international priority. The ministers' recommendation does not specify when or where negotiations should take place. Although our intention is for the talks to be held in the United States this fall, omitting a specific time-frame may help avoid an outright Turkish rejection, as well as preserve our options.

JORDAN

Debt forgiveness has become a key issue for the Jordanians and they have been pressing for United States Government assistance in convincing Japan and other G-7 countries to forgive Jordanian debt on a bilateral basis. On May 6, King Abdullah made a public request for forgiveness of \$3.5 billion (roughly half) of Jordan's external debt.

We seek a statement in support of debt forgiveness issued by the G-8, either in the Communiqué or in a separate statement.

INDIA-PAKISTAN

Pakistan's brash occupation of strategic ridges on the Indian side of the line of control was a calculated move, instigated by the military, to alter the longtime status quo. (The 1972 Simla Agreement established a line of control both countries agreed would only be altered by bilateral negotiation.) Some Pakistani strategists are convinced that their demonstrated nuclear capability now provides a shield against a full-scale Indian response. The signs of mobilization on the Indian side suggest that they could be wrong now, just as they were in the 1965 war, which started in Kashmir and spread. Though Vajpayee has promised restraint for now, India could decide to seize land on the Pakistan side to trade if they cannot quickly regain the occupied territory in Kargil.

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SUMMARY POINTS FOR
FRIDAY EVENING G-8 DINNER

DECLASSIFIED
PER E.O. 13526

2016-0144-M (1.04)

3/6/2019 KBH

Kosovo

- Now that Belgrade has agreed to G-8 principles, we must ensure they are implemented.
 - Serb forces out by June 20th.
 - UN to quickly establish international presence.
 - We must all contribute to international civil police and training of local police.
 - Welcome EU lead on reconstruction; encourage initial donors' conference within one month.
- Southeastern Europe Initiative should be open to democratic Serbia.
 - Serb people have also suffered from policies of Milosevic.
 - But as long as Milosevic is in power, we need to keep Belgrade isolated and under sanction.
 - Keep Kosovo-related sanctions in place until we are confident that Belgrade is cooperating with KFOR and the UN.
 - Keep "outer wall" in place until Belgrade is meeting UN commitments, including Dayton and ICTY.
- Need Russia to play a constructive role in implementing the peace.
 - Race to Pristina unfortunate. Need Russia in KFOR while preserving force's effectiveness and unity of command.

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Reason: 1.5 (b,d)

Declassify On: 6/13/09

Cyprus

- Foreign Ministers have recommended a G-8 summit statement on Cyprus, calling for resumption of talk without preconditions. Will demonstrate that Cyprus is an international priority and can build momentum towards our common goal of a settlement.
- Should avoid language that would give Turks an easy excuse to reject the initiative (such as reiteration of UN resolutions, which Turkey interprets as biased). Isn't a change in position by United States or international community but effort to get Turks to the table.

Jordan

- Abdullah government committed to sound economic policy. Easing Jordan's debt burden can complement and reinforce. The United States has already forgiven most of Jordan's debt on a bilateral basis.

India-Pakistan

- Vajpayee said he would exercise restraint; stressed to Sharif Pakistan's responsibility for crisis; Sharif in tough spot.

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FRIDAY EVENING G-8 DINNER

KEY POINTS

DECLASSIFIED
PER E.O. 13526
2016-0144-M (1.05)
3/6/2019 KBH

Kosovo

Need to implement peace in Kosovo, and allow the refugees to return, on basis of principles agreed by our Foreign Ministers and adopted by the UN Security Council.

- All FRY forces must be out by June 20th, in accordance with Military-Technical Agreement. KFOR has the mandate and the capability to act if there are problems.
- UN must quickly establish international presence, to provide interim administration and basic law and order. We must grant UN special representative considerable authority, both within Kosovo and over the various international organizations involved.
- All our countries should contribute to the international civil police and training of local police. The United States is preparing sizeable contribution to each.
- Welcome willingness of EU to take lead in reconstruction. Hope that EU can respond quickly to immediate needs, including by calling a donors' conference within a month.

Southeastern Europe Initiative should be open to Serbia -- once we are confident that Belgrade is meeting its UN commitments and is on a path to democratic reform.

- Our efforts to bring security and prosperity to this troubled region must be open to the people of Serbia, if and when they decide to rejoin the European mainstream.
- Cannot do less for the Serbs -- they have suffered for too long under anti-democratic rule. When they are ready, must reach out to them and bring them fully into the wider community -- to do less is to invite further confrontation and conflict.
- However, must keep FRY government isolated and under sanction as long as Milosevic is in control. Should not assist economic reconstruction outside Kosovo and Montenegro until Milosevic departs the political scene.

~~CONFIDENTIAL~~

Reason: 1.5(b) (d)
Declassify on: 06/15/09

- Need to keep Kosovo-related sanctions in place until we are confident that Belgrade is cooperating with KFOR and the UN mission. Need to keep "outer wall" in place until we are confident that Belgrade is meeting all its UN commitments, including implementation of Dayton and cooperation with the War Crimes Tribunal.

Russia has an important role to play. Russia helped to convince Milosevic to accept the G-8 principles. We now need Russia to play a constructive role in implementing the peace.

- Race to Pristina was an unfortunate distraction. Need to confirm command arrangements for Russian that ensure KFOR's effectiveness and unity of command, two principles already agreed by our Foreign Ministers.
- Presence of Russian forces must be used to demonstrate that KFOR will protect all citizens of Kosovo -- not that KFOR is divided and subject to manipulation.

Cyprus

- Our Foreign Ministers proposed a G-8 summit statement on Cyprus, calling for resumption of talk without preconditions. Will demonstrate that Cyprus is an international priority and can build momentum towards our common goal of a settlement.
- Should avoid language that would give Turks an easy excuse to reject the initiative (such as reiteration of UN resolutions, which Turkey interprets as biased). Isn't a change in position by United States or international community but effort to get Turks to the table.
- **If raised.** United States glad to host but premature to discuss more specific roles in an eventual negotiation. Time to organize after we get Turks on board. Hope parties will be ready in the fall but we'll have to judge closer to that point.
- Urge all of you to reinforce bilaterally with the Turks that the Cyprus problem will remain an irritant if unresolved, and that Turkey can meet most of its core interests and concerns through a negotiation.

Jordan

- The United States strongly supports the efforts of King Abdullah and his government to promote economic growth through sound economic policy. We believe that easing Jordan's debt burden can complement and reinforce these efforts.
- Jordan's economic performance has been weak over the past few years. Real growth is lagging behind population growth, the unemployment rate is in the neighborhood of 25 percent, and poverty rates have been climbing.
- The United States has already forgiven most of Jordan's debt on a bilateral basis: between 1994 and 1997 we forgave about \$700 million in Jordanian government debt. We have urged and continue to urge Jordan's other creditor governments to follow our example and forgive Jordan's debt.
- It would be helpful if we could all agree to provide debt forgiveness for Jordan on a bilateral basis. (FYI, Japan is Jordan's largest Paris Club creditor, with about 22 percent of Jordan's external debt.) Or, provide direct grants for Jordan. (FYI, Japan may be more comfortable providing cash transfers and allowing Jordan to pre-pay debt.)

India-Pakistan

- Prime Minister Vajpayee told me Monday he would exercise restraint while we made international efforts to get Pakistan to withdraw. Time is running short, however, with the approach of winter and the Indian election.
- I called Sharif as well to stress his government's responsibility for this crisis.
- Sharif is in a tough spot. His military may have instigated this provocation and it is very hard politically for him to back down. The alternative, though, is real danger of a wider war, even nuclear, which Pakistan cannot win.

G-8 SATURDAY MORNING

SATURDAY MORNING G-8 SESSION: OVERVIEW

WORLD ECONOMY (continued), TRADE AND RUSSIA

This morning's session will provide an opportunity for leaders to continue at Eight their discussion of the global economy begun Friday afternoon at Seven. This will then be followed by a discussion of world trade issues, with a particular focus on preparations for the upcoming WTO Ministerial in Seattle and the kick-off of the new round. Finally, the discussion will cover the current situation in Russia, and coordinating Western assistance. Immediately after the session, prior to the Summit Family Photo, Schroeder plans to announce a G-8 initiative to create a new mechanism for coordinating assistance to Russia's reform efforts.

Trade Issues

The trade discussion should focus on developing the agenda for the WTO, and what should be accomplished at this year's WTO Ministerial in Seattle in order to best pursue the further opening of world markets and to shore up public support for such efforts. We want results in three basic areas: (i) a mandate to pursue negotiations and other work that will be manageable in scope and produce results on an accelerated schedule; (ii) institutional reforms to improve the WTO's effectiveness, transparency and ability to address labor, environmental and other public policy interests; and (iii) the completion of certain agreements by the time of the Ministerial (e.g., in transparency in government procurement, electronic commerce and an expanded Information Technology Agreement (ITA II)). In addition to these three, we would also be very pleased to have reached agreement on the APEC-endorsed initiatives for sectoral tariff elimination. These results would confirm our commitment to timely and ongoing progress in expanding trade and commercial opportunities, while ensuring that the trading system is more open and accountable to the public and other policy concerns.

Canada shares many of our interests and objectives in terms of institutional reforms and a manageable work program. Japanese and European leaders, however, will press for "comprehensive" negotiations by placing such "new" issues as investment and competition policy on the negotiating table, which will delay progress in critical areas like agriculture and services and encourage developing countries to demand yet more time to assume

the basic rules and obligations of existing agreements. Although the Europeans have emphasized the need to address developing country interests, they have frightened such countries away from a consensus on future progress by being overly broad in their ambitions. We need to redirect efforts towards a package which all WTO Members can reasonably support, while pressuring our G-8 partners to operationalize immediately their commitment to practical and overdue reforms concerning WTO transparency.

Russia Issues

The Russian economy is surprisingly stable for the moment, benefiting from the ruble devaluation (which boosts competitiveness) and higher oil prices, rather than from any significant progress on economic reform. The new government is working with the IMF on how to implement the agreed conditions for board approval of its \$4.5 billion, 18-month IMF package. The IMF program is critical; it allows for disbursement on Russia's \$2.3 billion World Bank program and for formal Paris Club discussions on deferring Russia's debt. While Prime Minister Stepashin has pledged to push aggressively for Duma passage of key fiscal and banking legislation required by the IMF, this is still an uphill battle.

On debt, there is general consensus in the Paris Club and among the G-7, that any discussion of long-term solutions to Russia's debt problem should await next year's presidential elections and the adoption of a more comprehensive reform plan. Russia has been informed by the Paris Club that, once an IMF program is agreed, they can expect deferral of Soviet-era debt payments (which is Russia's stated preference) for the term of the IMF program. Once a clearer economic and political path for Russia has been established following presidential elections, solid performance has been achieved under the current economic program, and a far-reaching economic reform program has been put in place, discussions should begin on a longer-term approach to dealing with Russia's debt burdens.

Creating an environment for long-term growth will require that Russia implement a wide range of structural reforms which are being addressed by World Bank programs and through G-7 bilateral programs. Coordinating and maximizing assistance on growth-oriented reforms will be a focus of the new G-8 assistance coordination initiative.

You and your counterparts will issue a statement announcing an enhanced partnership within the framework of the G-8, which will be announced immediately following the session. The new partnership is designed to accomplish three objectives: (1) it demonstrates political solidarity; (2) it reaffirms the commitment of the Eight to tackling the long-term challenges of Russia's transition; and (3) it creates an enhanced mechanism to improve both Western assistance to Russia, and Russia's ability to accept and use the assistance. The focus of the statement and the new partnership is on micro-level reforms that will have an impact on the daily lives of the Russian people. The statement also emphasizes the shared goal of integrating Russia into the global economy and encourages progress toward WTO and OECD accession in accordance with traditional, established criteria.

There is broad support for this initiative among the Eight; Prime Minister Blair was perhaps the most enthusiastic. Although the Russians wanted to make debt relief and capital flight topics under the initiative, other fora exist to deal with these matters; the comparative advantage of this new effort is to focus on micro and people-level issues. (The statement does reaffirm, however, support for a restructuring of Soviet-era Paris Club debt once Russia and the IMF finalize a lending program.)

SUMMARY POINTS FOR
SATURDAY MORNING G-8 SESSION

- **Global Economy.** Outlook for global economy has improved, but need to avoid excessive optimism. Resolute action remains essential. The United States is acting to ensure that our non-inflationary growth continues over the long term. Structural reforms important for jobs -- politically difficult, but essential to improving medium-term economic performance.
- **Trade.** System must be more open, understandable and responsive. G-8 needs to provide more leadership in making WTO more transparent and accountable and in developing an agenda to address trade and social issues, core labor standards. Need leadership for package for Seattle to win support of developing world and own publics. Focus as much on mission and operation as scope and nature of negotiations. Work must be focused, balanced with timely results. Dedicated to accomplishments by Seattle. Cannot be sustained if not more transparent and accountable, and if don't address labor and environment. Need to do better working with developing countries to ensure they can take full advantage of technical assistance available. Need greater IFI/WTO complementarity. Concerned about farmers' problems gaining access to market for GMO crops. Understand public concern in Europe, but market access decisions should be based on sound science. Biotechnology can offer environmental benefits and improve productivity. Premature to restart Biosafety negotiations.
- **Russia.** Not as bad as predicted, inflation under control. Don't expect Stepashin government has latitude to pursue fundamental reforms, but need to encourage financial stability through election. Hope new team able to get reforms through Duma. Recognize need for debt relief. Move quickly once IMF program in place. Assistance coordination to promote reform, maximize effectiveness and avoid duplication. Long reform agenda: competitiveness, investment environment, bank restructuring, reducing barter, small business, corruption, tax reform, social programs. Reaffirm goal of full integration into global economy, progress toward WTO and OECD. New coordination initiative will contribute to reforms.

SATURDAY MORNING G-8 SESSION

KEY POINTS

Global Economy (repeat of G-7 points)

- Outlook for global economy has improved since last Summit in Birmingham: United States continues to move ahead, European Monetary Union is off to a good start, Japan has taken some important steps, Asian emerging markets beginning to recover, "contagion" has not been a problem in Latin America, and we have seen an improvement in market confidence.
- However, need to avoid excessive optimism. Some risks to global recovery remain, and resolute action remains essential. Emerging market economies must continue their reforms, and build their social safety net systems.
- We need to work together to contribute to global recovery.
- The United States is acting to ensure that our non-inflationary growth continues over the long term. We have restored government finances and avoided dissipating our budget surpluses with massive tax cuts. The national saving rate has doubled since 1992, despite the drop in personal saving. We are working to put Social Security and Medicare on a more sustainable basis over the next century.
- With U.S. trade and current account deficits increasing, it is particularly important that other industrial countries achieve stronger, domestic demand-led growth. Both economically and politically we cannot continue to provide the main stimulus to global recovery. The world needs more than one engine of growth.
- In addition to supportive macroeconomic policies, structural reforms are important to provide incentives to create jobs through higher private investment. I recognize that structural changes in labor, product and financial markets are politically difficult. But they are essential to improving medium-term economic performance.

U.S. Economy

- This has been an investment-led expansion and that sector is still one of the primary drivers of growth today. Much of the strength has been in purchases of capital equipment such as computers and other high tech goods.
- The household sector has also been surging, supported by rising real wages, low unemployment, and increases in net worth primarily due to the rising stock market. Housing investment has advanced at double-digit rates.
- Rapid growth in the United States has occurred despite a drag from a widening foreign trade deficit. Weakness abroad has restrained growth in U.S. exports while strong demand from the domestic sectors of the economy has pulled in imports at a rapid pace. In 1998 the current account deficit reached a record \$233 billion (nominal terms), but this represented 2.7 of GDP. This is smaller than the 3.6 percent share in 1987 when the previous record was set.
- Job growth has been maintained throughout the expansion, with over 18 million new jobs added since the beginning of 1993. Manufacturing has been a weak spot in the jobs picture over the past year, affected by global economic conditions and shrinking exports.
- The unemployment rate has been at or below the 5 percent mark for the past two years, a level not seen since early 1970. The rate fell to as low as 4.2 percent this past March.
- Wages and salaries have been rising. Combined with very low inflation, this has led to a pickup in real earnings after decades of stagnation. Faster growth in productivity, which has been much stronger than its long-term trend, has kept unit labor costs low.
- Consumer price inflation was less than 2 percent in the last two years, one of the lowest rates since the 1960s. A drop in petroleum prices was one of the factors contributing to that favorable performance, and there may be a somewhat larger increase in inflation this year as petroleum prices reverse.
- Price growth should still be subdued, however. Prices for imported goods other than petroleum continue to decline, keeping domestic commodity prices under control. Industrial production is operating well below capacity.

- The budget is projected to continue to show surpluses throughout the forecast horizon. Thus far through FY99 the surplus is on track to exceed the \$79 billion that had been projected.
- The swing in the Federal budget from deficit to surplus resulted in an increase in the net national saving rate since 1992 despite a decline in personal saving. The national saving rate more than doubled from a post-World War II low in 1992 to 7.4 percent in 1998.
- In its February budget projections, the Administration assumes that growth will slow from its current rapid rate to about 2 percent over the next few years, then move back gradually to its long-run path of about 2-1/2 percent. The near-term slowdown is expected to result mainly from the waning effects of stock market gains on consumption, slower growth in investment and residential construction, and continued weakness abroad.

Trade Issues

Strengthening Support for the Trading System

- All of our work on expanding markets and creating new opportunities for competition and growth will, of course, be for naught if we don't take immediate steps to make the trading system more open, understandable and responsive to our societies' broader needs.
- G-8 governments need to provide greater leadership on addressing this critical problem, both in terms of making the WTO more transparent and accountable and in developing an agenda for it to address the relationships between trade and social issues, such as respect for core labor standards.
- Need to deepen WTO and ILO initiatives.

Building the Agenda for Seattle

- We need to provide leadership for the development of a package for the Seattle WTO Ministerial that will win support both within the developing world and our own publics.
- That will require that we focus on a credible and manageable result, one that looks as much to the WTO's mission and its way of operating as it does to the scope and nature of future negotiations.

- We should begin by reinforcing adherence to the existing rules, and see that future work and negotiations are focused, balanced and ensure results in a timely manner (e.g., three years).
- In building toward our future goals, we should also be dedicated to completing work on those issues which are feasible to accomplish by Seattle, such as an agreement on transparency in government procurement, an expanded Information Technology Agreement (ITA II) and making permanent the moratorium on applying duties to electronic commerce transmissions that was agreed in the WTO last year. We should also work for adoption of the sectoral tariff initiatives endorsed by the APEC economies.
- Finally, need to sustain the trading system's credibility and effectiveness by moving forward to make it more transparent and accountable to the public, and equipping it with the means to address trade's inextricable relationships with other issues, such as labor and the environment.

Addressing the Needs of Developing Countries

- We have already committed to the goal of improved market access for the least developed countries, but the question of their effective integration into the multilateral trading system demands more. Market access is of little benefit if these countries lack the infrastructure and capacity to compete effectively for the opportunities made available to them.
- Developing countries' adherence to their WTO obligations is of tremendous importance to the health of the system and to their own development needs. We need to do a better job of working with them to ensure that they are taking full advantage of the technical assistance already available.
- Any new work or negotiations undertaken in the WTO also must be manageable and organized, where possible, within existing WTO structures to minimize burdens on limited developing country resources.
- We also should be improving coordination of the WTO's work with that of the international financial institutions to achieve greater complementarity in their missions and less duplication and inconsistencies in the technical assistance provided.

GMOs

- Concerned about the problems U.S. farmers are having gaining access to European market for crops that may be derived from GMOs.
- Understand that this issue is receiving considerable public attention in Europe, but market access decisions should be based on sound science.
- Key to maintaining public confidence is having a transparent and systematic approval and regulatory process. We have a strong system in the United States that takes an appropriately cautious approach.
- A decade of experience in the United States demonstrates that biotechnology can offer environmental benefits while improving agricultural productivity.
- **If raised.** We support reaching a Biosafety Protocol by next May, but we should not restart negotiations until we can bridge gaps. Protocol should cover only its appropriate issue -- environmental biodiversity -- not issues such as food safety, which are better left to other fora.

Russia

- Current economic situation is not as bad as many predicted last August at the time of Russia's financial crisis.
- The positive side of the ruble decline is that Russian goods are more competitive, which has helped bring industrial production back to pre-crisis levels.
- Monetary restraint has kept inflation under control.
- Sustainable recovery requires fundamental reform on a broad economic reform agenda. We do not expect that the Stepashin government will have the political latitude to pursue fundamental reforms, but we need to encourage it to sustain financial stability through the coming election season.
- Pleased that new government is committed to pushing ahead with reform. Hope that new team will be able to work with Duma to pass needed reform legislation, particularly laws related to Russia's IMF program.

- On the fiscal situation, positive trends in revenue collection and the deficit are encouraging; they need to continue in order to secure and sustain a new IMF program.
- Experience of other transition and developing economies shows that fiscal stabilization contributes to a better business and investment environment which is a key element in any sustainable growth strategy.
- On debt, we recognize Russia's urgent need for debt service relief. Paris Club is poised to move quickly to provide deferral of "Soviet-era" debt obligations once an IMF program is in place.
- Our joint statement on Russia will emphasize the commitment of all G-8 Governments to an "enhanced partnership," focusing on longer-term reform efforts that will benefit the Russian people.
- Russia's transition problems and needs are so great that no single country or institution can possibly address them all. So we place a high priority on coordination involving donors and the Russian Government.
- Coordination should be directed toward achieving our common objectives: maximizing donor effectiveness and avoiding overlap or duplication of effort.
- Coordination mechanisms should also provide a forum for removing impediments to assistance, such as the long-standing problem of Russian efforts to tax assistance.
- The recent adoption and signature by President Yeltsin of Russian legislation on taxation of assistance was a step forward. But the new law is not perfect. Donors will need the cooperation of Russian tax and customs officials to ensure full implementation of the bilateral and multilateral agreements that exempt assistance from taxation.
- The structural reform agenda is long: increasing competitiveness, improving the investment environment, bank restructuring, reducing barter, creating opportunities for small business, reducing corruption, tax reform, improving social programs.
- The enhanced partnership includes regular meetings of Sherpas and other officials, together with IFI representatives to review assistance coordination at a strategic level.

- Expert groups will be formed to focus on priority areas of cooperation.
- We are particularly interested in coordination of assistance on health (AIDS, TB), civil society, small business development, and threat reduction (ETRI). Willing to take the lead on some or all these issues.
- Moscow-based Ambassadors will continue to meet with Russian and IFI representatives to help ensure effective implementation.
- Enhanced partnership does not deal directly with macroeconomic issues including debt relief. The G-8 statement does reaffirm support for Paris Club debt restructuring upon finalization of an IMF program.
- Important we reaffirm the shared aim of full integration of Russia into the global economy, and pledge joint efforts to promote progress toward WTO and OECD accession.
- Hope that the new G-8 assistance coordination initiative will contribute to Russian reforms in a powerful way.
- Once a clearer economic and political path for Russia has been established following presidential elections, solid performance has been achieved under the current economic program, and a far-reaching economic reform program has been put in place, discussions should begin on a longer-term approach to dealing with Russia's debt burdens.

SATURDAY G-8 LUNCH

OVERVIEW: EMPLOYMENT, SOCIAL POLICY AND EDUCATION

This session will focus on the core issues that make up the Summit's effort to show leadership in addressing concerns posed by an increasingly globalized world. It is in these areas where the Communiqué calls for steps to give globalization "a human face." At the end of the lunch, the German Presidency intends to issue a press release announcing agreement on a "Cologne Charter of Aims and Ambitions for Lifelong Learning" that will highlight Heads' commitment to investment in education and training, and to promoting high standards in that effort (a charter which closely reflects your priorities).

In the immediate aftermath of the financial crisis, focus was on the damage to the international financial system as well as its adverse consequences for the most vulnerable and the middle class. With the perspective of time, it is clear that the financial crisis had certain unanticipated benefits. By uncovering weaknesses in both domestic and international financial systems, it enables us to strengthen these systems through appropriate reforms. The challenge is to ensure that as the crisis recedes, we continue to work to identify and implement the steps necessary to create a sounder basis for future growth. This involves sustaining and strengthening support for open markets and rules-based trade as we head towards a new multilateral trade negotiating round. Here, too, we must address the interrelationship between trade and social and other public policies.

The Germans are right that globalization is more than an economic phenomenon -- it also has economic, political, social, and cultural impacts. But we should highlight the positive characteristics of globalization. Globalization has helped spread information and ideas, increased cultural ties and understanding, and pointed the way towards better approaches to integration and inclusion, even as it has revealed institutional weaknesses. Increased trade and investment have improved living standards. We should make this case.

Social Safeguards/Social Safety Nets

It is vital that the Cologne Summit is seen to strongly endorse the value of more effective social safety nets and investment in basic social infrastructure as a means to promote growth in good

times, and make societies more resilient in hard times. At the April meeting of the IMF/World Bank Development committee, Ministers emphasized the importance of the World Bank strengthening its support for member countries in translating broad principles into practical country-specific results, based on the Bank's extensive operational role in promoting broad-based poverty reducing development. Here in Cologne, we will also affirm the valuable role the International Labor Organization (ILO) should play in promoting social protection and core labor standards, and the need for better cooperation among the ILO, IFIs and World Trade Organization (WTO).

We should urge the G-8 to support these efforts. The development and implementation of good social policy will help to cushion the most vulnerable from the adverse effects of globalization and financial crises. It should also support our objectives of fostering good governance and democracy.

Employment Policy

This is an opportunity to discuss policies that promote labor markets that can function efficiently in the global economy and adequately cope with potential risks of dislocation and financial uncertainty for some workers, families and communities. You should focus leaders on the need to promote structural change that facilitates incentives to create jobs, employability, effective education and training policies and adequate social safety nets. Also, you should press the importance of building support at home and abroad for further efforts on market opening by ensuring that greater economic integration results in enhanced incomes and increased employment opportunities. Along this line you should press for a more proactive approach to considering labor issues in the context of economic negotiations. Most countries will be receptive to the overall concept of ensuring that the benefits of globalization are shared, but less receptive to establishing a direct link between labor issues and economic negotiations.

The G-8 Labor Ministers, at their meeting in Washington in February, agreed that in order to sustain globalization, it was important to design a blueprint for improving growth, equity and democracy; to have universal respect of core labor standards; and to have closer international cooperation between the ILO and the IFIs, particularly in the establishment of social safety net systems in crisis-prone countries. The Ministers also agreed that continued collaboration between the ILO and WTO was

important to our common goals of promoting respect for labor rights and continued trade and investment liberalization.

Education

Discussion of this subject and other educational issues at Cologne reflects the consensus that exists among the Eight and the larger international community on the importance of investment in human capital to the well-being of both individuals and nations in an information-driven global economy. The Cologne Summit discussion of these issues will provide a unique opportunity for you and your G-8 counterparts to exchange ideas on effective policies for ensuring that all citizens possess the knowledge and skills that will be necessary for success in the 21st century.

The charter on learning highlights the importance of investment in education, and emphasizes the need for a focus on both the quality of and access to learning from the primary years on through to adult training. The charter also makes specific reference to our priorities regarding standards and teacher quality. In the Communiqué, the G-8 asks OECD and UNESCO to study ways to improve teacher quality and also commits to increasing exchange programs and expanding access to education technology.

SUMMARY POINTS FOR
SATURDAY G-8 LUNCH

- **Social Safeguards.** To maintain support for open regimes, must foster support systems to make sure everyone benefits from change. Will build support for reform and social cohesion. Increased awareness corruption is corrosive and that resisting protectionism helps recovery. Positive progress on integrating labor issues into IFIs, maintaining investments in human capital. ILO/IFI conference on labor/social policy in new financial architecture. Continue efforts by the IFIs to continue support and monitoring of development of sound social infrastructure. Propose support for efforts in sharing information and best practices, and assistance in implementing strategies to: (1) develop unemployment, disability and retirement programs; (2) put in place core labor standards; and (3) adopt means-tested programs for poor.

Strengthen ILO's capacity to assist countries by creating a special technical assistance arm. This can help ease pressure for specific labor protections in trade agreements.

- **Employment.** Structural reforms should strengthen incentives to both create jobs and seek employment. Promote non-discrimination in the workplace. Need for better and continuing education and training.
- **Education.** Charter reflects priority we all attach to good education. Setting standards. Challenge to decide what skills citizens need. Establish challenging academic standards at local level. Not limited to academic disciplines, also include cross-cutting abilities -- creativity and entrepreneurial spirit, and ability to work in diverse groups. Prepare young people for citizenship and values of tolerance. Close educational achievement gap. International comparisons of educational performance of growing interest and help shape and support education reform. High-quality teachers single most important factor in schools in improving achievement. Should work to increase exchanges of teachers, administrators and students. Technology to improve teaching and learning holds great promise, if not available to all can actually widen gap. Access is not enough, need teacher training. Work together to help developing countries use distance learning and other educational technology.

SATURDAY G-8 LUNCH

KEY POINTS

Social Safeguards

- As globalization increases, countries are less able to insulate themselves from external economic, political and cultural influences. If we are to maintain support for open political and economic regimes, we must foster support systems to help protect the people from dislocation that comes from the increased volatility inherent in a globalized world.
- These support systems must help prepare people for the change, dynamism, and adjustments inherent in a more globalized world. Such systems can help build support for reform programs, and help build social cohesion so that the general population feels full ownership of adjustment programs.
- While the short-term effect of the Asian financial crisis may be to weaken support for globalization and open economies, if the root causes and popular concerns are addressed, there will be a sounder foundation for sustainable development.
- The financial crisis, while stirring deep concerns about globalization, has had some positive results. There is increased awareness that corruption is a corrosive disease which can slowly eat away at the most vital organs of economic activity and democratic institutions. It has also shown that resisting protectionism and keeping markets open helps crisis-affected countries recover more quickly and surely from the economic shocks.

Call for a more forward stance on the relationship between labor and economic policies:

- Note that while a commitment to promote effective implementation of the Declaration on Fundamental Principles and Rights at Work (Core Labor Standards) is laudable, the G-8 should do more to ensure that international economic and labor strategies are mutually reinforcing.
- Stress the value, as highlighted in the Communiqué, of social infrastructure in speeding recovery for countries from economic crises, and in helping economies avoid the most damaging consequences of economic downturns.

- Emphasize that social policies will only be able to fully succeed when accompanied by functioning government institutions and the practices of good, transparent governance.
- Emphasize the value of appropriate consideration of labor standards in economic negotiations for gaining public support for our globalization efforts.
- Recommend that G-8 partners commit to joint efforts on a more effective approach within the WTO for addressing trade issues related to labor standards.

Applaud positive progress on integrating labor issues into IFIs:

- G-8 should promote IFI, UN and bilateral efforts to maintain investments in human capital and broad participation in economic activities during downturns, and to establish the appropriate institutional frameworks for inclusive, private-sector led growth and integration.
- Welcome the increasing cooperation between the ILO and the IFIs in promoting employment, adequate social protections, core labor standards, and effective labor market institutions. Suggest an ILO/IFI conference to discuss the role of labor/social policy and other relevant issues in the new financial architecture for promoting globalization.
- Call for continued efforts by the IFIs to continue and increase actions to support and monitor the development of sound social infrastructure.

Encourage cooperation on capacity building:

- Propose that the G-8 pledge support for ongoing efforts in sharing information and best practices with other industrialized nations, and for providing assistance to crisis-affected and other emerging economies in designing and implementing strategies to: (1) develop unemployment, disability and retirement programs tailored to local conditions; (2) put in place and monitor ILO core labor standards; and (3) adopt means-tested programs for the poor and disadvantaged.

- Express support for strengthening the ILO's capacity to assist countries to implement core labor standards, including through the creation of a special technical assistance arm, and to enhance the coverage and effectiveness of social safety nets.

Employment

- Emphasize the importance of creating a domestic environment in which people are able throughout their lives to acquire skills and tools appropriate for participating in a rapidly changing and globalized economy.
- Note that structural reforms should strengthen incentives to both create jobs and to seek employment and that governments need to ensure that social safety net programs are available to protect the most vulnerable.
- Emphasize the importance of promoting non-discrimination and equal opportunity in the workplace and in access to services.
- Discuss the need for better and continuing education and training in a world where the rapid pace of global economic integration and technological innovation presents both new opportunities and uncertainties.

Education

Setting the Standards for Success in the Information Age

- Pleased with charter -- shows central place of education on the G-8 agenda and its importance for the well-being of our people.
- All of our countries today face the challenge of deciding what citizens should know and be able to do for life in a new era that in many respects is still emerging.
- In the United States, our primary vehicle for this effort has been the movement to establish challenging academic standards at the state and local level. My Administration has helped to lead this movement, and today all 50 states have made great progress in establishing high standards in reading and mathematics.
- The standards for success in the Information Age are not limited to mastery of academic disciplines like reading and

math. They also include the development of broader, cross-cutting abilities such as the capacity to be creative and entrepreneurial, and to work effectively in groups with persons of diverse backgrounds.

- Systems of education must also prepare young people for the responsibility of democratic citizenship in the 21st century. Toward that end, they must teach respect for the political, civil, and human rights of all people, commitment to voting and participation in the political process, and appreciation for the values of tolerance, pluralism and diversity.

Closing the educational achievement gap

- The knowledge economy of the next century will bring opportunity and prosperity to citizens who are educationally well-prepared, but citizens who lack the requisite knowledge and skills will find it very difficult to enter and remain in the middle class.
- All of our countries face the urgent need to bridge the gap between the education "haves" and "have-nots" in our societies. For many of us, this divide threatens to exacerbate longstanding tensions over class, race and ethnicity.
- In the United States, my Administration has worked to close the achievement gap through initiatives such as: (a) increased support for Head Start, (b) implementation of an initiative to reduce class size in the early grades to facilitate personalized instruction and early intervention, (c) the creation of a \$1,500 Hope Scholarship credit to make the first two years of college available to all Americans, and (d) enactment of a Workforce Investment Act to streamline our employment and training system and make it more flexible and accountable.
- These and other efforts have contributed to gains at the lowest levels of achievement in the United States, but large gaps remain between racial groups and income levels.

International assessments

- International comparisons of educational performance such as the TIMSS tests of math and science ability are the subject of growing popular interest in many of our countries, and have helped to generate public support for education reform. They

have also helped to shape the content of reforms.

- We should support the expanded use and development of international assessments such as TIMSS.
- **If raised.** Any new testing scheme the G-8 might support should be: (a) described as voluntary, and (b) benchmarked to provide a valid assessment of the performance of a significant percentage of all students, not just the most academically gifted.

Strengthening the teaching profession

- Research shows that high-quality teachers are the single most important factor within schools in improving student achievement.
- As a result of both demographic changes and labor market pressures, a number of our nations face significant challenges in attracting and retaining adequate numbers of highly-qualified teachers. In the United States, we must hire 2.2 million teachers in the next decade.
- Strengthening the quality of America's teaching force is currently a major focus of my Administration's education policy. Last month I sent to the U.S. Congress legislation (ESEA) that would: (a) support national, State and local efforts to recruit talented individuals into the teaching profession, including mid-career professionals who enter through alternative routes like our Department of Defense's successful Troops to Teachers program; (b) a major investment in high-quality professional development for current teachers; and, (c) a strengthened requirement that all teachers be fully certified and qualified for the subjects they teach.
- To promote exposure of teachers to international best practices in instruction and school reform, we should work to increase exchanges of teachers -- as well as administrators and students -- among the Eight and internationally.

Using educational technology to improve teaching and learning

- From distance learning to multimedia software to low-cost, portable hardware, the use of technology to improve teaching and learning holds great promise.

- If educational technology is not equally available to all students, its use can actually widen the "digital divide" between rich and poor.
- That is why in the United States my Administration has implemented the "e-rate," through which 20-90 percent discounts on telecommunications and Internet fees have been made available to schools and libraries across the United States. Ninety percent of America's schools are now wired to the Internet.
- Experience has shown that providing access is not enough -- America's schools are littered with old computers that have gone unused or underused. That's why we have also devoted significant resources to teacher training to ensure that teachers can effectively integrate technology into instruction.
- In the area of distance learning, my Administration has supported initiatives like our Learning Anytime Anywhere Partnerships, which bring together universities, businesses and community organizations to deliver post-secondary education through the Internet and other technologies to Americans who live in remote rural areas, who have disabilities or who are unable to attend school full time due to the demands of work or family.
- We should work together and through international institutions to help developing countries use distance learning and other forms of educational technology to meet their pressing educational needs.

Making lifelong learning a reality for all citizens

- My Administration has worked to promote lifelong learning through initiatives such as the Lifelong Learning Tax Credit, through which undergraduate and graduate students and working adults can deduct 20 percent of the first \$5,000 (increasing to the first \$10,000 after 2002) of expenses they incur in taking classes to upgrade their knowledge and skills.

PULL-ASIDE MTG W/
PRESIDENT CHRETIEN

~~CONFIDENTIAL~~

BILATERAL MEETING WITH
CANADIAN PRIME MINISTER CHRETEN

DECLASSIFIED
PER E.O. 13526
2016-0144-M (1.06)
3/6/2019 KBH

KEY OBJECTIVES

- Recognize Canada's contributions to Kosovo campaign.
- Raise multilateral issues, including Iraq and Jordan.
- Address bilateral concerns, especially successful resolution of Pacific salmon dispute and the split-run magazine case.

BACKGROUND

Since you last saw him at the NATO Summit, you and Chretien have had two telephone conversations. Chretien has invited you to Canada in October, to inaugurate the new U.S. Embassy building in Ottawa and to address a Canadian-hosted International Conference on Federalism, scheduled for October 6-8 at Mont Tremblant, Quebec. We are working with Scheduling on this request.

Chretien first will want to review the situation in **Kosovo** and our plans for southeastern Europe.

We have engaged in close consultations with Canada on UN Security Council consideration of **Iraq**, given Canada's status as a non-permanent member of the Council through December 2000. We have urged Canada to support the Dutch/UK draft resolution as the basis for discussions in the Council, rather than submit a draft of its own. Canada has indicated it would only consider advancing a draft if it were clear that there was no other possibility for shaping Council consensus.

Jordan's King Abdullah has asked for our help in making the case for debt forgiveness with the G-7. **Jordan's debt** burden of almost \$8 billion exceeds its annual GDP, and servicing this debt consumes 20-25 percent of its budget resources. Easing the debt burden will help Jordan attract badly needed private investment and revive economic growth. Canada holds only a negligible amount of Jordanian debt, but we would still like them to join a G-7 consensus on this issue.

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Reason: 1.5 (b) (d)

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On May 26, the United States and Canada resolved outstanding differences surrounding Canada's **split-run magazine** trade practices. U.S. magazines exported to Canada will be able to fill 12 percent of total advertising space with ads targeted to Canadian consumers, rising to 18 percent after 36 months. Canada also committed to provide more favorable tax treatment to advertisers placing ads in U.S. magazines and to liberalize its investment regime to permit 51 percent foreign equity in magazine businesses within 90 days and 100 percent after one year. Your personal contact with Prime Minister Chretien insured the success of these difficult negotiations.

On **Pacific salmon**, both sides hail the June 3 accord ending five years of bitter feuding over salmon quotas. The agreement aims at conserving and rebuilding our shared West Coast wild salmon runs, through abundance management -- seeking to increase the salmon population, rather than fighting over declining stocks. A \$140 million fund for restoration and enhancement of depleted runs will be established; we believe that Senator Stevens will support such a fund if the remaining portions of the agreement are put together.

Chretien may raise the April 12 amendment to the State Department's International Traffic in Arms Regulations (ITAR) to limit further the categories of **defense items** that can be exported to Canada without a license. The revision was motivated by growing concern that U.S. sensitive military equipment and technology were being re-exported from Canada to unauthorized destinations. Expert-level discussions have mitigated some Canadian concerns, but the Canadians continue to complain that the changes will severely damage bilateral defense trade. We are urging Canada to strengthen its own export controls which would help us justify lifting some restrictions.

On the Seattle **WTO Ministerial**, Canada shares much common ground with us on achieving market access and transparency agreements at the Ministerial and launching a broad-based round. However, you should discourage Chretien from pursuing investment and competition negotiations within the WTO.

SUMMARY POINTS FOR MEETING WITH
CANADIAN PRIME MINISTER JEAN CHRETIEN

Bilateral Visit

- Hope to visit Canada soon. Still looking at your proposed October dates.

Kosovo

- Discuss latest developments.

Iraq

- Need to restore Security Council unity on Iraq. Know we're in agreement on underlying principles. Appreciate importance to Canada of foreign participation in Iraq's oil sector. Can work with you provided a Council decision is linked to humanitarian need and takes into account Iraqi compliance (not simply progress) with a renewed arms inspection and monitoring program.

Jordan Debt Relief

- Impressed with Abdullah, need to support him, and do what we can to ease Jordan's debt burden. Debt service payments consume about one-quarter of Jordan's budget. He must restore confidence in economy. Hope you'll join me in urging our G-7 colleagues to show a united front on this issue.

Split-run Magazines

- Our negotiators worked hard to craft a compromise deal on magazines. Delighted we were able to solve this problem.

Salmon

- This accord is a victory for all those interested in salmon conservation and the viability of our salmon industries. Appreciate very much your delegation's hard work and flexibility.

(If raised) ITAR

- Our governments need to explain to private sector changes in export and defense trade controls, especially recent modifications applying to Canada. Ask Canada to honor commitment to strengthen defense export controls. Our experts stand by to be of any assistance.

Seattle WTO Ministerial

- We share much common ground in our goals for the Ministerial and launch of the new round -- let's work together to reach agreements by Seattle that will build momentum for the round and credibility within civil society.

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POINTS TO BE MADE
MEETING WITH CANADIAN PRIME MINISTER CHRETEN

Bilateral Visit

- Hope to visit Canada soon. Still looking at your proposed October dates.

Kosovo

- Discuss latest developments.

Iraq

- We need to make every possible effort to restore Security Council unity on Iraq. Believe best basis is to build broadest consensus on Dutch/UK draft.
- U.S. redlines remain -- full compliance as the basis for any suspension of sanctions and continued UN control of Iraqi oil revenues. Know we are in agreement on underlying principles vis-a-vis Iraq.
- We appreciate importance Canada places on foreign participation in Iraq's oil sector. We can work with you on this provided a Council decision is based on well studied options, linked to humanitarian need and takes into account Iraqi cooperation with a renewed arms inspection and monitoring program.
- Need to continue to consult closely on Security Council consideration of Iraq.

Jordan Debt Relief

- Impressed with Abdullah, need to support him, and do what we can to ease Jordan's debt burden. Debt service payments consume about one-quarter of Jordan's budget.
- King must succeed in restoring confidence in economy. Without growth and new jobs he faces a real threat to stability of his regime at a critical time.

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Reason: 1.5 (b) (d)
Declassify on: 06/22/09

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PER E.O. 13526
2016-0144-M (1.07)
3/6/2019 KBH

- An unstable Jordan threatens our common interests in entire region. Hope you will join me in urging our G-7 colleagues to show a united front on this.

Split-run Magazines

- Our negotiators worked hard to craft a compromise deal on magazines. Delighted we were able to solve this problem.

Salmon

- The salmon accord is a victory for all concerned.
- Appreciate very much your delegation's hard work and flexibility.

ITAR (If raised)

- Our governments need to explain changes in export controls to private sector, and defense trade controls in general, especially recent modifications that apply to Canada.
- We want Canada to honor its commitment to strengthen defense export controls.
- Our experts stand ready to be of any assistance they can.

Seattle WTO Ministerial

- We share much common ground in our goals for the Ministerial and launch of the new round -- let's work together to reach agreements by Seattle that will build momentum for the round and credibility within civil society.
- Competition negotiations are not yet ripe -- many WTO members have no competition laws.
- We need to resist investment negotiations in light of MAI experience within OECD.

Withdrawal/Redaction Marker

Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
008. report	Biography (2 pages)	05/25/1999	P1/b(1)

COLLECTION:

Clinton Presidential Records
National Security Council
Executive Secretary
OA/Box Number: 2590

FOLDER TITLE:

The President's Trip to Germany (G-8 Summit), June 18-20, 1999 [1]

2016-0144-M

kh1822

RESTRICTION CODES

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

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

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

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

RR. Document will be reviewed upon request.

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

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

MR MARKER

This is not a textual record. This is used as an administrative marker by the Clinton Presidential Library Staff.

Folder Title:

The President's Trip to Germany (G-8 Summit), June 18-20, 1999 [2]

Staff Office-Individual:

Executive Secretary

Original OA/ID Number:

2590

Row:	Section:	Shelf:	Position:	Stack:
35	2	11	2	v

Withdrawal/Redaction Sheet

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. paper	Bilateral Meeting with Italian President D'Alema (3 pages)	06/00/1999	P1/b(1) KBH 8/29/2019
002. talking points	Summary Points to be Made for Meeting with Italian President D'Alema (2 pages)	06/00/1999	P1/b(1) KBH 8/29/2019
003. talking points	Points to be Made for Meeting with Italian President D'Alema (3 pages)	06/00/1999	P1/b(1) KBH 8/29/2019
004. report	Biography (2 pages)	05/27/1999	P1/b(1)
005. paper	Saturday Afternoon G-8 Session: Overview Global Threats (6 pages)	05/27/1999	P1/b(1) KBH 8/29/2019
006. talking points	Summary Points for Saturday Afternoon G-8 Session (3 pages)	06/00/1999	P1/b(1) KBH 8/29/2019
007. talking points	Saturday Afternoon G-8 Session Key Points (8 pages)	06/00/1999	P1/b(1) KBH 8/29/2019
008. paper	Background Paper: Cyprus (1 page)	06/00/1999	P1/b(1) KBH 8/29/2019
009. paper	Background Paper: Nonproliferation: Missiles (1 page)	06/00/1999	P1/b(1) KBH 8/29/2019
010. report	Biography (2 pages)	05/25/1999	P1/b(1)
011. report	Biography (2 pages)	05/26/1999	P1/b(1)
012. report	Biography (2 pages)	05/24/1999	P1/b(1)

COLLECTION:

Clinton Presidential Records
National Security Council
Executive Secretary
OA/Box Number: 2590

FOLDER TITLE:

The President's Trip to Germany (G-8 Summit), June 18-20, 1999 [2]

2016-0144-M

kh1823

RESTRICTION CODES

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Withdrawal/Redaction Sheet

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
013. report	Biography (2 pages)	05/27/1999	P1/b(1)
014. report	Biography (2 pages)	06/01/1999	P1/b(1)
015. report	Biography (2 pages)	06/01/1999	P1/b(1)
016. report	Biography (2 pages)	06/01/1999	P1/b(1)
017. report	Biography (2 pages)	05/26/1999	P1/b(1)
018. report	Biography (2 pages)	05/25/1999	P1/b(1)

COLLECTION:

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**PULL-ASIDE MTG W/
PRESIDENT D'ALEMA**

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BILATERAL MEETING WITH
ITALIAN PRESIDENT D'ALEMA

DECLASSIFIED
PER E.O. 13526

2016-0144-M (1.09)
3/6/2019 KBH

KEY OBJECTIVES

- Review current situation in Kosovo and express appreciation for Italian contributions.
- Seek D'Alema's support on Stability Pact issues and other efforts to enhance Southeast Europe's recovery and integration into the European and transatlantic mainstream.
- Review strategy for dealing with the Russian representative in Cologne, prospects for Stepashin and engagement with NATO.

CONTEXT OF THE MEETING

Kosovo/Domestic Situation. Despite public perception that Italy was "soft" on Kosovo because D'Alema called for a pause in the NATO bombing campaign, Italy played an indispensable role in the operation. Given growing reservations within D'Alema's governing coalition, the Italian parliament, and among the Italian public regarding the campaign -- particularly in light of recent NATO bombing mistakes -- the GOI is quite pleased that NATO's conditions have been met.

On the humanitarian side, the Italians have mounted the largest relief effort ever undertaken outside of Italy through "Operation Rainbow," a combination of government aid and private donations directed primarily at Albania. The GOI has spent about \$70 million; donations by private citizens amount to about \$58 million. The GOI has constructed 8 camps for 25,000 refugees and is building facilities to house another 7,700. In addition to the 10,000 Kosovar refugees illegally in Italy, Rome has agreed to accept 10,000. Italy also offered Pescara airport as the origination point for airdrops inside of Kosovo.

The Kosovo crisis has had a negative effect on Italy's GDP growth, and the Government's expenditures are hindering its ability to reduce its budget deficit. EU Finance Ministers have already recognized that Italy is unlikely to meet its EMU targets this year and indicated a willingness to be flexible. Events in Kosovo have also had a negative impact on public and private perceptions of the United States in Italy, which are

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increasingly negative. A new terrorist group calling themselves successors to the Red Brigades has taken advantage of the unsettled atmosphere. They claimed responsibility for the recent murder of labor aide Massimo D'Antona and have threatened more violence. Our Embassy and U.S. diplomatic and military personnel have already received a number of written and phone threats.

Southeast Europe Initiative. You should tell D'Alema that we welcome the progress being made on the **Stability Pact** and the World/Bank-EC led process to develop an overall strategy and action plan for recovery, reform and reconstruction in Southeast Europe. We look forward to working with Italy on implementation of both these efforts and related NATO Summit initiatives. We support the EU taking the lead role on reconstruction and expect it to remain the largest donor of development assistance to Southeast Europe, given that it is the region's natural trading partner. However, we are willing to do our fair share and have significant resources to bring to bear. We will also be counting on Italian support in the EU, OSCE and NATO to make stabilization and democratization of the region succeed.

Russia and NIS. The Russian political and economic situation remains a cause for concern as Stepashin struggles to consolidate his authority and push ahead with elements of Primakov's agreement with the IMF. We want D'Alema to encourage Russia to meet the targets for its IMF program -- to enhance financial stability during the elections and allow rescheduling of Soviet-era Paris Club debt. You will also want to encourage D'Alema to support the G-8 initiative to enhance coordination with the Russians, and encourage Italian contributions to the Expanded Threat Reduction Initiative.

Cavalese. Although some in Italy continue to feel justice has not been served, the furor over the acquittal of the pilot in the manslaughter case, followed by dissatisfaction with the confinement and dishonorable discharge that he received for obstruction of justice, seems to have quieted down. Secretary Cohen has indicated that he is implementing all of the safety recommendations made by the bilateral Prueher-Tricarico Commission. We are examining whether there are additional measures that we can take unilaterally to address Italian concerns about accountability and responsibility, but this is not yet ripe for discussion with the Italians due to pending review of the conviction for obstruction.

There remains confusion in Italy over our willingness to pay compensation, including in the Office of the Prime Minister. In fact, through the SOFA process we will reimburse Italy for 75 percent of each claim paid. To date, Italy has made settlement offers to seven out of ten claimants. (The other ten claimants filed late after having been (ill) advised by their lawyers to sue in the United States.) If raised, you should remind D'Alema of the SOFA process, whose resolution depends entirely on the speed of Italian efforts to adjudicate claims (or enact related legislation). You also can reassure him that we continue to review safety procedures and are implementing the Bilateral Commission's recommendations. As to accountability, you might note that both the pilot and the navigator received Federal felony convictions and punitive discharges from the military, and that the pilot is serving a 6-month sentence to confinement. We are of course ready to try to address any additional Italian concerns.

Silvia Baraldini. U.S. and Italian Justice officials reached an agreement to transfer Ms. Baraldini to Italy, which is predicated on an Italian guarantee that she will serve the nine years remaining in her sentence. The agreement was announced by D'Alema and Ambassador Foglietta on June 11 and now awaits approval by the Italian Court of Appeals. Once the court confirms the sentence, DOJ can recommend that the Attorney General approve the transfer.

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SUMMARY POINTS TO BE MADE
MEETING WITH ITALIAN PRESIDENT D'ALEMA

- Allied unity was vital to resolution of crisis. Appreciate Italian role, which was indispensable. With significant challenges ahead, Italian support will remain critical in every aspect. Must stay united if we are to prevail at building a secure peace.
- KFOR must move quickly to establish a secure environment and remain ready to respond robustly to any threats to the peace. International civil presence must also be quickly established. Urgent need to contribute to the international civil police force and training of local police.
- Need a common approach to Belgrade that keeps Milosevic and his cronies isolated and under sanction; keeps all sanctions (e.g. EU oil embargo) in place, at least until we are confident that Belgrade is cooperating with KFOR and the civilian presence; and focus reconstruction efforts on Kosovo, limiting the rest of Serbia to humanitarian assistance, as long as Milosevic is in power. Welcomed comments by FM Dini that you will not provide support to Serbia as long as Milosevic is there.
- Know we share a common goal of advancing Southeast Europe's integration into the European and transatlantic mainstream. Support EU taking lead role on reconstruction. However, we are willing to continue to do our fair share.
- Despite differences over NATO bombing, continue to make progress in some areas of Russian relations: CFE adaptation, highly enriched uranium agreement.
- Economic situation not as bad as some predicted, but risk of stagnation. Need to encourage Stepashin to meet IMF targets and make clear we will move fast to reschedule Soviet-era Paris Club debt once IMF program is in place.

Baraldini

- Know that DOJ and Italian officials are in the final stages of negotiating a transfer of Silvia Baraldini to serve the remainder of her U.S. prison sentence in Italy. Important

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Reason: 1.5(d)

Declassify on: 6/22/09

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PER E.O. 13526

2016-0144-M (1.10)
3/6/2019 KBH

that justice be served and pleased that it looks like this has worked out for you.

Cavalese (if raised)

- We remain committed and ready to pay 75 percent of claims adjudicated by Italy, in accordance with SOFA. Our reimbursement depends entirely on speed of your process.
- Continuing to review safety procedures and are implementing the Bilateral Commission's recommendations.
- With respect to accountability, both pilot and navigator received Federal felony convictions and punitive discharges from military. Pilot also serving a 6-month sentence to confinement.
- Remains a painful tragedy for us, for which we are truly sorry. Know how hard it is for Italy and for families. Stand ready to try to address any additional concerns.

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POINTS TO BE MADE
MEETING WITH ITALIAN PRESIDENT D'ALEMA

Kosovo

- Allied unity was vital to resolution of crisis. Appreciate Italian role, which was indispensable. With significant challenges ahead, Italian support will remain critical in every aspect. Must stay united if we are to prevail at building a secure peace.
- KFOR must move quickly to establish a secure environment and remain ready to respond robustly to any threats to the peace.
- International civil presence must also be quickly established.
 - Urgent need to contribute to the international civil police force and training of local police.
- As we implement the peace in Kosovo, we need a common approach to Belgrade.
 - Keep Milosevic and his cronies isolated and under sanction.
 - Keep all sanctions (e.g. EU oil embargo) in place, at least until we are confident that Belgrade is cooperating with KFOR and the civilian presence.
- Focus reconstruction efforts on Kosovo, limiting the rest of Serbia to humanitarian assistance, as long as Milosevic is in power. Welcomed comments by FM Dini that you will not provide support to Serbia as long as Milosevic is there.
- Appreciate your support for humanitarian airdrops by the International Rescue Committee. It has been successful in delivering food to thousands of Kosovars driven to the hill by Serb forces. Plan to work with other nations to expand the effort so that we can help deliver assistance until people can return to their homes.

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2016-0144-M (1.11)
3/6/2019 KBH

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Declassify on: 6/22/09

Russia and NIS

- Despite differences over NATO bombing, continue to make progress in some areas of Russian relations: CFE adaptation, highly enriched uranium agreement.
- Economic situation not as bad as some predicted, but risk of stagnation. Need to encourage Stepashin to meet IMF targets and make clear we will move fast to reschedule Soviet-era Paris Club debt once IMF program is in place.
- Appreciate your support on G-8 initiative on active coordination with Russians -- important political demonstration of our commitment. Hope you will encourage EU contributions for Expanded Threat Reduction Initiative.
- Important to urge Russian troop withdrawals from Moldova in line with CFE commitments. Let's continue close coordination on Ukraine, especially in run-up to fall presidential elections.

Southeast Europe Initiative

- We share a common goal of advancing Southeast Europe's integration into the European and transatlantic mainstream.
- Welcome completion of the Stability Pact and progress on the World Bank/EC-led process to develop an overall strategy and action plan for recovery and reconstruction -- look forward to working with Italy on implementation.
- Support EU taking lead role on reconstruction and expect it to remain the largest donor of development assistance to the region. However, we are willing to continue to do our fair share. Our significant assistance resources are already focused on this region.

Baraldini

- Know that DOJ and Italian officials are in the final stages of negotiating a transfer of Silvia Baraldini to serve the remainder of her U.S. prison sentence in Italy. Important that justice be served and pleased that it looks like this has worked out for you.

Cavalese (if raised)

- We remain committed and ready to pay 75 percent of claims adjudicated by Italy, in accordance with SOFA. Our reimbursements depend entirely on speed on your process.
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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
004. report	Biography (2 pages)	05/27/1999	P1/b(1)

COLLECTION:

Clinton Presidential Records
National Security Council
Executive Secretary
OA/Box Number: 2590

FOLDER TITLE:

The President's Trip to Germany (G-8 Summit), June 18-20, 1999 [2]

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G-8 SATURDAY AFTERNOON

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SATURDAY AFTERNOON G-8 SESSION: OVERVIEW

GLOBAL THREATS

This session will cover what the German Presidency has somewhat awkwardly grouped together as Global Threats. These include: nonproliferation and disarmament; crisis prevention; development; environment; the millennium bug; and health. The Presidency plans for the first hour of this two and one-half hour session to be reserved for informal talk among Heads, leaving only ninety minutes for the structured discussion.

Expanded Threat Reduction Initiative (ETRI)

We pushed for highlighting nonproliferation on the summit agenda to advance the Expanded Threat Reduction Initiative (ETRI) and other high priority nonproliferation concerns. You should take the lead on this topic. The goal is to energize the G-8 leadership to obtain expanded resources for ETRI needs. The other G-8 Sherpas agreed to include strong affirmation of a broad international partnership for expanded threat reduction and a commitment to seek additional resources. The previous responses to your January letter were enthusiastic in principle.

Some countries have expanded their own assistance programs in response to your letter requesting support for the ETRI initiative. Amounts committed are modest, however, in comparison to the total of \$4.5 billion the Administration is requesting from Congress over the next five years. (We estimate unmet needs of as much as \$1 billion/year.) Russia recognizes and supports the need for additional assistance to meet arms control and nonproliferation commitments.

Plutonium Disposition

The U.S. goal for these discussions is to reach agreement, in principle, that the G-8 countries will commit to take the financial and organizational steps to convert the various ongoing plutonium disposition activities involving several G-8 countries into a viable security and energy regime.

Since 1996, the G-8 has coordinated efforts to create a multilateral program to help Russia transform excess plutonium from its weapons program into a form no longer attractive for military uses. Under a September 1998 agreement between you and President Yeltsin, the United States and Russia committed to

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dispose of 50 tons of plutonium from weapons activities. Implementing this pledge will require the construction of new industrial facilities in Russia, costing more than \$1 billion. Congress has already appropriated \$200 million for this purpose, and you requested an additional \$200 million over the next five years. Japan has offered to take responsibility for one aspect of the program, at an estimated cost of several tens of millions of dollars, but substantial European participation will also be needed to bring an international program to fruition. While France and Germany have actively participated in research with Russia on plutonium disposition options, and their firms are potential beneficiaries of large-scale disposition programs, European governments have been reluctant to make major financial commitments. The British have focused on private sector approaches. The Cologne Summit Communiqué notes the need for an international financing effort, and commits G-8 members to review potential increases in resource commitments before the next summit.

At Cologne, we should seek to focus G-8 leaders on the need for substantial financing commitments in the near term if the objective of large-scale plutonium disposition is to be realized. Privately, G-8 experts acknowledge that government contributions will be necessary, but the UK and other Europeans are likely to argue for placing more of the burden on the private sector. Since private lenders must eventually be repaid, this amounts to demanding that Russia cover the costs of its plutonium disposition program, an approach that is unlikely to be realistic politically.

Missile Proliferation

The Communiqué will also highlight the need to strengthen our efforts on missile proliferation, a danger underscored by the North Korean missile test, and to improve coordination among the G-8 of national efforts to tackle the demand-side of the missile equation and to ensure that neither the G-8 nor other potential suppliers assist proliferant missile programs. Initially, the G-8's focus should be on impeding North Korean missile development and exports, and on strengthening export controls in the missile area. The NPEG agreed that it would hold a special meeting of missile experts, prior to the next MTCR Plenary, to discuss ideas for addressing new missile proliferation threats. Several G-8 countries supported the ideas advanced by the UK to develop a global missile test notification regime and code of conduct for space launch programs, strategies that we find problematic because they would undermine the MTCR and the United

States' own missile-based deterrent. You should also underscore the importance of ensuring effective, consistent implementation of export control measures by all countries with advanced missile and space technology.

Regional Nonproliferation Issues

In addition to North Korea, the Summit declaration will underscore concern about last year's Indian and Pakistani nuclear tests, and call for Iraq to comply with all UN Security Council Resolutions. On south Asia, you may have to resist efforts to lift prematurely IFI sanctions for South Asian nuclear testing.

The United States objective is to nail down a commitment by G-8 ministers not to resume non-BHN (Basic Human Need) loans to India, pending its signature of the CTBT. Secretaries Albright and Rubin sent letters to their G-8 counterparts in mid-April urging them to maintain the deferral of IFI lending for India until it signs. Replies so far: Germany, Italy, Canada and Japan -- support; Russia -- opposed. France has stated that it wishes to resume normal IFI lending. Although British Foreign Secretary Cooke in a May 11 letter to Secretary Albright indicated that the UK will continue to support BHN-only loans to India, the Brits continue to differ with us on the definition of BHN.

Last fall, to avoid Pakistani default, the G-8 supported lending within the framework of Pakistan's IMF program. We think Pakistan should also be required to sign before non-BHN loans would be considered beyond those linked to the IMF program. (It should be noted, however, that all lending to Pakistan currently is considered to be in support of the IMF program.)

Conflict Prevention

The G-8 supports an integrated, comprehensive approach to violent conflict and destabilizing tension utilizing political, economic and peacekeeping tools. Such an approach would seek to identify more successful ways to mitigate tensions and avoid conflicts. Given that the share of bilateral and multilateral resources needed to address the devastating results of conflict has been steadily increasing, we need to reconsider resource allocation and coordination efforts, and to re-examine our overall approach. The Germans have proposed a special meeting of G-8 foreign ministers on conflict prevention and management

to be held in Berlin in December 1999. The session is also intended for dialogue with non-G-8 partners.

Development

Discussion on the development assistance topic for the Summit has focussed on debt initiatives, ongoing untied aid negotiations in the OECD's Development Assistance Committee (DAC), and a broad examination of developing and maintaining resilient societies in a globalized world. There does not appear to be an appetite among the members of the G-8 to seriously review ODA levels or issues relating to conditionality and performance, although the Communiqué as of this writing includes a commitment to move forward on untying aid.

Environment

The Summit's focus on globalization provides a natural starting point for discussions on the environment.

The most important potential deliverable for the G-8 in this area is gaining support for requiring export credit agencies to develop environmental standards. The U.S. business and environmental communities agree on the merits, and our position is more "pro-environment" than the Europeans (who often paint us as the environmental villain).

The G-8 should also address the need for new WTO negotiations to reflect environmental considerations. Without a long-term strategy for selling the environmental benefits of trade, political support for the WTO will suffer.

Climate change will not be as central a topic of conversation as in prior Summits, in part due to the negotiating schedule under the climate treaty. (Negotiations to shape rules under the Kyoto Protocol are not expected to conclude until late 2000 or early 2001.) However, you should use the session to emphasize the efforts underway to reduce emissions in the United States, and to note our strong opposition to the recent European proposal to cap all the "flexibility mechanisms" under the Protocol other than their "bubble."

If the topic was not already discussed in the morning session on trade, President Chirac is almost certain to raise during this session the topic of genetically modified organisms and biotechnology trade. As before, your response should focus on

the need for a science-based approach to this issue, as well as noting the environmental benefits offered by biotech products.

Chirac or D'Alema may also raise the subject of the Biosafety Protocol, where negotiations in February broke down, and the Europeans are now pushing for a restart to the talks. We insist that informal discussions of contentious issues should continue prior to the restarting of formal negotiations, although we officially accept a target date of May 2000 for completion of the Biosafety Protocol negotiations. A major difference between our position and the European position is that we insist the Biosafety protocol should confine itself to biodiversity issues and handling of a biotech products intended for environmental release (seeds, etc.) not concerns related to processed products or food safety.

Millennium Bug

While remediation efforts should continue, as we move into the latter half of the year, our focus must increasingly turn to contingency planning for responding to those failures that will occur. The G-8 strongly endorses contingency planning by all countries, by international organizations and by regions. Transnational services, like energy and transportation, may encounter Y2K problems, which will require a regional approach to resolve and/or ameliorate. The G-8 also has supported focused and goal-oriented joint planning at national and regional levels to deal effectively with potential Y2K problems.

Generally, small- and medium-sized enterprises, the health sector, and international transport of goods and services are high risk areas which may affect each G-8 country -- either because a country is not prepared internally or because it relies on a range of international suppliers that might encounter Y2K problems. Governments, UN agencies and other international bodies should be encouraged to play a full role in remediation and contingency planning efforts.

Preliminary indications suggest that most G-7 countries are now focused on the Y2K problem. However, a late start in several countries raises concerns with vital sectors in some countries. Of much greater concern is Russia, which faces potentially major difficulties in virtually all sectors. The most critical of these are the nuclear power generation, electrical power distribution and military sectors. The International Y2K Coordinating Committee (IYCC), which is convening a meeting of UN member Y2K coordinators next week in New York to focus on

contingency planning, and the World Bank's information for development programs are working to help developing countries prepare. The United States has given \$12 million in support of these programs.

Health

At this Summit, we have successfully pushed for Communiqué language that calls for G-8 support for WHO's global Stop TB initiative as well as continued G-8 support for efforts to combat HIV/AIDS, malaria and polio, including work on vaccine development for AIDS and malaria, and vaccine delivery for polio. We have also included language highlight the need to address drug-resistance, particularly with TB and malaria. You may want to urge further consideration of ideas to advance vaccine development, such as a donor pledge now to purchase a malaria vaccine when developed or tax credits for R&D expenditures on vaccines for malaria, TB or HIV.

Crime

This issue is unlikely to receive any discussion by Heads. The Lyon Group continues to work on issues tasked to it from previous summits, including corruption, small arms trafficking, human smuggling and money laundering. Key events ahead include a G-8 Crime Ministerial in Moscow in October, and a push to complete the UN Convention on Organized Crime and its Protocols in 2000.

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SUMMARY POINTS FOR
SATURDAY AFTERNOON G-8 SESSION

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Nonproliferation

ETRI and Plutonium Disposition

- Gratified by response to January letter. Reducing proliferation threats requires substantial and sustained resources.
- Working with Congress for \$4.5 billion over five years. Will only do part of job. Many threats more directly impact Europe; citizens will support additional funding.
- Grateful for Japan's designation of funds on sub dismantlement and plutonium disposition. Opportunity to move plutonium disposition forward. Next step should be agreement in principle. Specifically, should agree now to seek increases in financing and agree on management approach. Don't rule out a role for private sector, but governments need to commit funds to be credible.

Missile Proliferation

- Critical give increased priority to missile nonproliferation. Do not see G-8 effort duplicating MTCR or various export control fora, but should bolster attention to issue.
- Initial focus should be to impede North Korea's development and export of missiles. Under export controls, want focus on promoting "catch-all" controls.

South Asia

- Suspension of non-BHN IFI lending to India and Pakistan is only multilateral sanction in place, very effective. Should reaffirm commitment to hold the line.

Conflict Prevention

- Early warning systems hold promise for better results at less cost. Support regional organizations. Support German initiative for G-8 meeting on conflict prevention in December in Berlin.

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Reason: 1.5 (b) (d)

Declassify on: 06/15/09

Development

- National policies of recipient countries are critical. Support for aid to small and medium-sized enterprises, monitoring of social spending, and mainstreaming of good governance issues. Disappointed not more success in OECD on untying aid. Should set a date for continuing OECD discussion.

Environment

Must level environmental standards up, not down.

- Export credit agencies (ECAs). Support common environmental guidelines for ECAs; cannot credibly promote environmental benefits of globalization if ECAs compete by setting low standards -- or ignoring environmental impacts; progress slow; should give OECD specific direction to move; World Bank standards excellent starting point.
- Trade. Almost no support for liberalized trade in environmental community; anticipate large protests in Seattle; to maintain consensus on trade, must ensure environmental issues are addressed in next round and promote transparency.
- Climate change. Working hard to reduce emissions; strong opposition to Kyoto Protocol in Congress; signed an E.O. on energy efficiency for government; proposed package of tax incentives and spending; success of Kyoto depends on two elements: engaging developing countries and shaping good rules for market-based mechanisms; strongly oppose quantitative caps.
- Biosafety (if raised). Remain committed to concluding effective, workable Biosafety Protocol and have initiated informal discussions to bridge differences that led to suspension of negotiations in February.

Millennium Bug

- Focus on contingency planning. Must provide information to public. Meeting in September an important step, to harmonize emergency responses, create mechanism information exchange, and build public and investor confidence. Support programs of UN and World Bank to help developing countries prepare.

Health

- Committed to combating TB, malaria and their drug-resistant forms. Support Stop TB and Roll Back Malaria.
- Vaccines best long-term solution, but unlikely without expectation of financial return. Number of innovative ideas for further exploration (donor countries pledge now to purchase vaccine, legislation could provide tax credits for R&D for vaccines).
- Support UNAIDS program, and initiative to prevent mother to child transmission.
- Need to eradicate polio. Call others to join in committing funds to eradicate it, especially where conflict is obstacle to immunization programs.

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SATURDAY AFTERNOON G-8 SESSION

KEY POINTS

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Enhanced Threat Reduction Initiative

- Over the past decade, our cooperative efforts have made possible tremendous strides in implementing arms control agreements and reducing risks of proliferation of weapons of mass destruction, their means of delivery, and weapons expertise.
- For some countries, recent economic difficulties have made it much harder to fulfill arms control commitments, dismantle weapons, and safeguard nuclear materials.
- I was gratified by your positive responses to my January letter on this subject. There is a strong consensus that this situation is indeed a challenge to the national security of all.
- Reducing proliferation threats requires substantial and sustained resources. My Administration is working with the U.S. Congress to provide \$4.5 billion over the next five years.
- The task is enormous and this sum will only do part of the job. Many of the threats from the Russian nuclear stockpile more directly impact European nations, so your citizens will understand and support additional funding. Urge you to do substantially more.
- The United States welcomes the EU recognition of security issues as part of the Common Strategy Regarding Russia.
- For Prime Minister Obuchi: The United States is grateful for your early response and designation of funds for threat reduction activities in the submarine dismantlement and plutonium disposition programs.

Plutonium Disposition

- Now that we have laid the foundation for Plutonium Disposition through ongoing cooperative programs, we have a real opportunity to move forward and make this effort a practical reality.

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Reason: 1.5 (b) (d)

Declassify on: 06/15/09

- We believe the next step should be agreement in principle to take the organizational and financial steps necessary to carry out plutonium disposition in Russia on an industrial scale.
- Making this commitment would be a key step forward in our cooperation to convert excess military plutonium into commercially useful electrical energy while safeguarding the material against return to weapons use or diversion to proliferators.
- Specifically, we believe that we should reach agreement now that each of us will commit to seek potential increases in financing in order to finance a plutonium disposition effort. While the United States does not rule out an important role for the private sector, we think Western governments will need to commit public funds to make this activity credible.
- In addition to this financial commitment, we need to agree on an integrated management approach to plutonium disposition.
- I recognize that each of us has a slightly different approach to this complex technical effort and there are many details to be worked out. However, we should be able to commit in principle to find the financial resources and take the organizational steps to make this important effort a reality.

If the French or others insist that while they support moving forward but cannot agree to make a financial commitment.

- I understand that we are talking about a significant financial commitment, but we need to show leadership.
- The United States believes that this program is crucial to our security cooperation and has \$200 million in hand and requested another \$200 million.
- Given the importance of this effort we should agree to consult further with an eye to making firm commitments at our next summit.

If the argument is made that a more decentralized organizational approach is preferable to the integrated approach advocated by the United States.

- Plutonium disposition is a highly integrated industrial process to convert plutonium into MOX (Mixed Oxide) fuel and we need an organizational approach that synthesizes the overlapping international contributions to this project.

Missiles

- Few threats to global security and regional stability are growing as rapidly as the proliferation of missiles.
- In view of the destabilizing missile tests by North Korea, India, Iran, and Pakistan, it is critical that the G-8 give increased priority to missile nonproliferation and develop ways to better coordinate national efforts in this area.
- Missile proliferation remains a very real problem; missile development programs in those countries are moving ahead, undermining regional stability and threatening our security.
- We need to address this challenge head-on and take steps to grapple with this problem more seriously -- and with more effort.
- We do not see the G-8 effort as duplicating the work of the Missile Technology Control Regime (MTCR) or various export control fora.
- Instead, the G-8 initiative should bolster the attention paid to this critical issue.
- This in turn will strengthen our common effort to stop the spread of weapons of mass destruction and their missile delivery systems.
- Our initial focus should be developing ways to impede North Korea's development and export of missiles that threaten our interests.
- Under the rubric of strengthening existing export control mechanisms, we also want the G-8 to focus on promoting "catch-all" controls that permit controlling all exports destined for proliferant missile programs, not just exports of items on control lists.
- We should include language in the Summit Communiqué announcing our new missile initiative and why we think it is important. We also should affirm our support for the goals and activities of the MTCR.

If asked about the UK's proposals on a missile code of conduct, prelaunch notifications, etc.

- The UK's proposals inadvertently undermine the political legitimacy of the MTCR, divert members' attention from improving it, and undermine the missile-based P-5 deterrent that is central to global stability.
- Instead, we should be working together to further strengthen and improve the MTCR from within to make the Regime even more effective in addressing real world missile proliferation issues.

South Asia

- Suspension of non-BHN IFI lending to India and Pakistan is the only multilateral sanction in place. It has been very effective. We should reaffirm the ministerial-level commitment to hold the line on new non-BHN loans (except to support Pakistan's IMF program) to each country until it signs the CTBT.
- It is important to the effectiveness of this multilateral sanction that the G-8 continue its commitment to a unified position and to a meaningful definition of BHN loans.
- Unity on the P-5/G-8/UNSCR 1172 non-proliferation benchmarks remains critically important.

Conflict Prevention

- Tools available to help prevent conflict include preventative diplomacy, stronger regional peacekeeping and crisis response forces, humanitarian aid, development assistance including good governance/economic infrastructure assistance, and professionalized civilian police forces.
- Early warning systems (including regarding social indicators), utilizing technology and emphasizing information sharing, may bring better results at less cost, both human and financial.
- Support the OSCE's role as a regional organization under Chapter VIII of the UN Charter. Adoption of a European Security Document worthy of the title "charter" at the OSCE summit in Istanbul in November can offer an "added value" to European security and strengthen the OSCE as an institution of choice for early warning, conflict prevention and crisis management in the region.

- Support the German initiative for a G-8 conflict prevention and management meeting in Berlin in December 1999.

Development Assistance

- National policies are critical to mobilizing domestic resources, attracting foreign direct investment and in effectively utilizing ODA. Development assistance can act as a catalyst for sustainable development, but cannot overcome a lack of commitment in recipient countries to appropriate policies.
- G-8 should encourage effective, market-based strategies to promote access to credit and business development programs for small and medium-sized enterprises (SMEs).
- G-8 should call on the UN and the IFIs to work together to help monitor and analyze social conditions and programs in developing countries, and to join the G-8 in supporting efforts by the developing countries themselves to establish and monitor social spending and social development -- including the status of women -- and to examine progress against results-based targets.
- G-8 should call on the IFIs and the UN to continue to support and mainstream good governance, rule of law and anticorruption into country strategies and to provide specific support to countries seeking assistance with these issues.
- Applaud Communiqué language agreeing to increase share of grant-based aid.
- Disappointing that the Development Assistance Committee (DAC) was not able to reach agreement on measures to untie aid to Least Developed Countries (LLDCs) at the recent High Level Meeting. United States supports strongly the DAC's mandate to untie aid to the LLDCs. The G-8 should adopt an attitude of mutual cooperation to bring the untying mandate to a successful conclusion and set a date for continuing OECD discussion.

Environment

- Globalization can mean a cleaner environment. Richer nations spend more to protect the environment; new information and remote sensing technologies offer important tools for environmental protection.

- At the same time, there is a risk that globalization will lead to a "race to the bottom" in environmental standards. As we integrate our economies, we must level environmental standards up, not down.
- **ECAs.** The most important step we can take in this regard is to support common environmental guidelines for **export credit agencies**. These agencies play a role in hundreds of billions of dollars of private investment each year, but lag far behind the multilateral lending institutions in recognizing the environmental impact of their work.
- We cannot credibly promote the environmental benefits of globalization if our export credit agencies are competing with each other by setting low environmental standards -- or ignoring environmental impacts altogether.
- We have addressed this issue before, but progress has been slow. This year, we should give the OECD specific direction to move on this topic -- and do so quickly.
- World Bank standards provide an excellent starting point. We should ask the OECD to develop common environmental guidelines for export credit agencies based on these standards, and complete this work within two years.
- **Trade.** In the United States, there is almost no support for liberalized trade within our environmental community. We anticipate large protests by environmental activists at the Seattle WTO Ministerial.
- To help maintain the political consensus to sustain liberalized trade, we must ensure that environmental issues are addressed in the next round of WTO negotiations.
- We must also work to promote transparency and openness at the WTO. This can help build support for the WTO with many sectors of civil society.
- **Climate Change.** We are working hard to reduce emissions in the United States. Last year our economy grew by 4 percent, but greenhouse gas emissions held almost steady.
- We continue to face strong opposition to the Kyoto Protocol in the Congress, but many members of our business community are beginning to take steps to reduce emissions.

- Earlier this month, I signed an Executive Order setting dramatic new energy efficiency goals for our federal government -- the largest energy user in the United States. I've also proposed a multi-billion dollar package of tax incentive and spending for clean energy.
- Success of Kyoto negotiations depend on two elements: engaging developing countries and shaping good rules for the market-based mechanisms (such as emissions trading, the Clean Development Mechanism and the European "bubble").
- We will strongly oppose the recent EU proposal for quantitative caps on all the market-based mechanisms other than their "bubble." Proposal is self-serving; it would raise costs and hurt efforts to build support for addressing climate change in the United States.
- **Biosafety Protocol (If raised).** Regarding the negotiations of the Biosafety Protocol, which were suspended in February, the United States is working hard for an effective, workable agreement that would protect the environment. We remain committed to concluding the Protocol negotiations and have initiated informal discussions to bridge the differences that resulted in the suspension of the negotiations in February.

Millennium Bug

- Time has come to focus on contingency planning to mitigate the potential effects of Y2K Problems.
- We must each provide information to the public on its remediation and testing of systems supporting critical infrastructure.
- The contingency planning meeting in September will be an important step. This will provide an opportunity to harmonize emergency responses to international Y2K crises, a mechanism for national contingency planners to exchange relevant experiences and methodologies, and a forum to build public and investor confidence.
- Focus on contingency planning. Must provide information to public. Meeting in September an important step, to harmonize emergency responses, create mechanism information exchange, and build public and investor confidence. Support programs of UN and World Bank to help developing countries prepare.

Health

- Committed to combating infectious diseases, including rising epidemics of tuberculosis and malaria and their drug-resistant forms. Support WHO in its Stop TB and Roll Back Malaria initiatives.
- AIDS, TB and malaria, kill over 7 million people each year -- mostly in developing countries. Effective vaccines will be the best long-term public health solution for these diseases. But pharmaceutical industry is unlikely to undertake costly research on vaccines without the expectation of adequate financial return.
- Industry has proposed a number of solutions, including increased national allocation of funds, use of World Bank IDA loans, creation of national health trust funds, grants, and creation of a global vaccine fund.
- We must encourage pharmaceutical companies to invest in vaccine development for important tropical diseases -- especially those for which there is high need but low potential profit. A number of innovative ideas could be considered for further exploration. For example:
 - Donor countries could pledge now to purchase the malaria vaccine when it is eventually developed. Provides a financial incentive, but would not require funding until an actual vaccine is available.
 - Legislation could be passed in G-8 countries, which could provide tax credits for research and development expenditures for vaccines against malaria, TB, HIV/AIDS and other important tropical diseases.
- I have proposed nearly \$200 million in my 2000 budget request for AIDS vaccine research -- a 100 percent increase since 1995.
- We are also committed to supporting the UNAIDS program, and applaud its initiative to prevent the tragedy of mother to child transmission of the virus.
- Need to eradicate polio. Thanks to an aggressive immunization campaign, polio has not been seen in the Americas since 1991. But we must accelerate our efforts to eradicate polio from every nation.

SCENESETTER: EVENING PROGRAM FOLLOWED BY
INFORMAL LEADER AND SPOUSE ONLY DINNER

BACKGROUND

Philharmonic. The Cologne Philharmonic is a sleek and modern concert hall seating about 2000 listeners in a half-round seating design. Completed as part of the Museum Ludwig complex in 1986, the hall is paneled in Canadian red oak, which gives a warm visual and acoustic tone. The Cologne Philharmonic ranks in the top class of international venues, with modern dance festivals and musicals filling out the concert season.

Restaurant Em Krützche. Em Krützche offers fine regional cooking and a charming old-Rhineland feeling. House specialties include duck and wild pig, cooked in traditional fashion.

SCENARIO

At 8:00 p.m. there will be a concert by the Cologne Philharmonic for the benefit of Balkan refugees. You and the First Lady, the Heads of State and Government from the other G-8 countries and their spouses, the President of the EU and his wife, other members of the official delegations, and members of the general public will attend the concert at the Philharmonic, which will be broadcast on television. The concert will be followed by an informal dinner for Heads of State and Government and their spouses at Restaurant Em Krützche.

SUNDAY G-8 SESSION OVERVIEW

APPROVAL OF COMMUNIQUE AND FUTURE ROLE OF G-8

This final session of the Summit will include approval of this year's Communiqué, and be followed by a press conference by Chancellor Schroeder at which the Communiqué will be made public. As is customary, several of the Communiqué topics, including the continuing work on earlier commitments in areas such as crime or nuclear safety, will not have been discussed by you in your meetings. The German Presidency has also proposed that this session include a discussion of the future role of the G-8.

Future Role of the G-8

The Germans suggested this topic less than two weeks prior to the Summit. As such, it has not had any preparation or discussion among Sherpas or governments, and should not result in any definitive laying out of a path ahead. Rather, this could be a useful opportunity for Heads to share their views on where opportunities lie for the G-8's work in the future. One of the obvious conclusions is that until Russia is a markedly different economy, the G-8, as distinct from the G-7, must continue to focus on issues outside the traditional realm of macroeconomics and finance. It is also simply unrealistic to expect that the Heads of the G-8 could gather once a year and confine themselves to discussion of purely economic themes. This is a point worth repeating as the Japanese begin to think about their agenda for the Okinawa Summit next year.

The strength of the G-8 lies in those areas where coordinated policies and efforts among the Eight can either produce a significant and worthwhile result on its own, or create a crucial core of agreement that can then be built upon in other, institutionalized multilateral fora. By operating in this way, the G-8 will avoid undermining the work and mission of other bodies such as the UN Security Council, the various UN agencies, the WTO or the international financial institutions. In the past, we have had many examples of how this work can bring meaningful results, including the work of the Lyon Group on Organized Crime or the success of the G-8 Climate Change Working Group in preparing for Buenos Aires. This was precisely the logic that led us this year to sponsor discussion of the nonproliferation and education topics, as issues where G-8

cooperation alone could produce progress, but which also fit well with broader participation.

SUMMARY POINTS FOR SUNDAY G-8 SESSION

Approval of Communiqué. Focus on social safety nets and giving globalization "a human face" represents very real success and should be the main message for the public. Imperative that we follow through on institutional transparency, standards related to environment, labor, and good governance. [Would have liked greater focus on concrete results -- such as a ILO special arm, firm deadline on environmental guidelines for export credit agencies, or for untying aid.] Engagement on nonproliferation issues creates a more secure future.

Future Role of G-8. Clear we will not ignore political developments. Natural we assume a leadership role on a broad range of issues, not just economics. Focus on the strengths of the G-8: influence, small size and informality. We can act more quickly. Must remain sensitive to criticism as an elitist grouping. Be sure to strengthen, not undermine, multilateral institutions. Find common ground to help larger negotiations reach agreement, or when we as the foundation for increased participation. Should be open to range of "global threats". Also an excellent platform to compare policies on common domestic challenges.

SUNDAY G-8 SESSION

KEY POINTS

Approval of Communiqué

- Pleased that this year we have been able to make some progress on a broad range of issues. Increased focus on social safety nets and giving globalization "a human face" represents very real success and should be the main message that the public draws from this G-8 Summit.
- In this regard, imperative that we follow through on commitments regarding institutional transparency, and on linking standards related to the environment, labor, and good governance to the work of international economic institutions.
- [We would have liked to have seen even greater focus on concrete results from the Summit that would address some of these concerns -- such as a special arm for technical assistance at the ILO, a firm deadline on implementing environmental guidelines for export credit agencies, or for untying aid.]
- Believe that our engagement on nonproliferation issues, if fully delivered upon, will represent a major advance in ensuring a more secure future for our publics and for the globe.
- Look forward to continued cooperation on education issues; it is a very good idea for us to share experiences and ideas on issues where we all have a lot to learn from each other.

Future Role of G-8

- While a continued focus on economic issues is appropriate, it is clear that we should not, cannot, and will not ignore political developments.
- This is the only occasion each year when this group of leaders assembles, and it is natural that we assume a leadership role on a broad range of issues, not just economics.

- In choosing what topics we shall work on, we should focus on what are the strengths of the G-8: the combination of great influence with small size and informality. This enables us to take on new issues in ways that larger and more cumbersome institutions, such as the UN, cannot. We can more quickly and easily form working groups, exchange views on policy or explore new approaches.
- At the same time, we must remain sensitive to criticisms of the Eight as an exclusive and elitist formation. Therefore, we must be sure that we operate in a way that strengthens rather than undermines the most important multilateral institutions.
- Our greatest successes come either when we can find common ground to help larger negotiations reach agreement, or when we begin an effort or program that can then serve as the foundation for increased participation from broader elements of the international community.
- This will certainly continue to include fundamentally economic issues, such as trade, but should also be open to the whole range of what we have termed this year as "global threats" (although this language may be more negative than it need be). G-8 can also serve as an excellent platform, in a similar way but in a smaller grouping than in the OECD, to compare policies on common domestic challenges. This year we discussed education, but a wide variety of subjects could benefit from this approach.

BACKGROUND

G-7

BACKGROUND PAPER



**BACKGROUND PAPER: ASSESSMENT OF GLOBAL
AND U.S. ECONOMIES**

The outlook for the global economy has improved since the Birmingham Summit last year, and particularly since last fall, when pessimism reigned following the Russian debacle and the tensions in Brazil during the election campaign. The United States has continued its strong growth and job creation (despite fears last fall of a very sharp slowdown), Japan has taken some action in both the macroeconomic and banking reform spheres, Asian emerging markets show signs of beginning to recover, the feared financial market "contagion" in Latin America from Brazil's troubles has not emerged (although the trade impact on Argentina from Brazil's recession is producing a downturn in Argentina, and Venezuela and Ecuador are suffering from the past decline in oil prices), and there has been some improvement in market confidence.

The improved outlook for the global economy is not reflected in better growth forecasts -- the International Monetary Fund projects 2.3 percent aggregate world growth this year (vs. 2.5 percent in 1998) and 3.4 percent for the year 2000. Rather, the view is that the risks of substantially worse outcomes have been reduced.

Yet risks remain. Market turbulence remains possible, and emerging market countries still have difficult adjustment programs to pursue, with the temptation to slacken now that markets are generally more calm. Japan remains in recession with no end in sight, and more needs to be done to clean up the banking system and to pursue structural reforms. The Euro-11 will see slower aggregate growth this year -- particularly in Germany and Italy -- and are reluctant to undertake the structural reforms necessary to reduce rigidities and overregulation which inhibit job creation and investment.

In the current environment inflation is not a threat. In fact, deflation is part of the problem in Japan and perhaps China.

With the U.S. economy still strong and our trading partners weak, our exports have stagnated while our imports have risen sharply -- imports of goods and services rose \$53 billion in 1998. The U.S. current account deficit -- \$233 billion last year -- is likely to exceed \$300 billion (about 3.5 percent of GDP) in 1999. On the one hand, another large increase in our deficit could be beneficial for world recovery. But the disproportionate contribution from the United States could also

create difficulties, if not corrected over the medium term by stronger investment and growth in other countries. It is important for the other industrial countries to understand that they cannot rely on the United States to continue to be the main engine of stimulus to global recovery.

Status of Japanese Economy

Japan has made some progress in implementing macro and structural policy reforms, but the economy through the end of 1998 remained anemic with bleak growth prospects. Most private analysts believed the government target of 0.5 percent GDP growth over the 1999 fiscal year was overly optimistic, and were very surprised by the 1.9 percent growth figure for the first quarter of 1999 announced on June 10. This is the first quarter of positive growth in a year-and-a-half, and the government is maintaining its cautious economic assessment. The unemployment rate is still increasing.

In the monetary policy area, Japan has eased its monetary policy and short term interest rates are now close to zero. While there may be some room for extra monetary easing at the margin, there is reason for caution as it might lead to an undesirable fall in the value of the yen.

On fiscal policy, budget deficits are large and the stock of public debt is now very high (relative to GDP). While the mix of the fiscal expansion might have been slightly different (more tax cuts and less spending increase), there is not too much room for further drastic fiscal easing. If the growth target is not achieved, it is likely that a fiscal supplementary budget will be passed in the fall.

There has been some progress on bank restructuring with many banks being recapitalized with \$63 billion in funds provided by the government in March 1999. The speed of bank restructuring could be faster. Corporate restructuring is also progressing, even if at a slower pace than desirable; many firms are restructuring, laying off excess workers and closing unprofitable units. Corporate restructuring, while it is necessary and may stimulate economic recovery in the medium run, may have slightly deflationary effect in the short-run; thus the need for monetary and fiscal policies to stimulate demand while the restructuring occurs.

In terms of structural reforms, trade liberalization and deregulation, Obuchi made some commitments at his summit meeting with you; he will now have to deliver on these commitments. The pace of structural reform and deregulation is slower than

desirable. The Japanese attitude has been that, while such reforms are necessary, they may have to be delayed until the economy recovers; it is harder to do them in a recession. The U.S. view is that deregulation creates job and investment opportunities and can help to accelerate the economic recovery.

Status of European Economy

European growth performance has also been poor and there is no sign of inflationary pressures. The Euro-11 are expected to grow at about 2 percent this year (after 3 percent in 1998). Two of the largest economies in the Euro area, Germany and Italy, are in a slump; France is growing at a slightly better rate while some of the smaller countries continue to grow at a more sustained rate. UK growth prospects look better for the second half of 1999, as monetary easing by the Bank of England over the last year may stimulate growth that was previously slowed by a strong currency and high interest rates.

The Euro has been steadily falling since its start on January 1; it has fallen from an initial rate of \$1.18 to recent levels of \$1.03-1.04, about a 12 percent depreciation. This fall of the Euro reflects the differential in growth rates between the United States and the Euro-11 area and the expected trend in interest rate differentials (higher interest rates in the United States and lower in Europe). The fall in the Euro may help to contain U.S. inflation but may also widen our trade deficit with Europe.

The European Central Bank (ECB) lowered interest rates by 50 basis points on April 8 as evidence of a growth slowdown in Europe became clearer. This is a modest expansionary measure given the substantial weaknesses in aggregate demand (especially investment) and the lack of inflation. The ECB will need to ease monetary policy even more if there is no growth pickup in the region and if Germany and Italy contract further.

There is little room for fiscal expansion in Europe; there are still structural deficits in many countries and cyclical ones are increasing as well in Italy and Germany where tax revenues are falling following the economic downturn. Italy was formally allowed last week to increase its fiscal deficit target from 2 percent of GDP to 2.4 percent but such fiscal easing led to rising concern about an overall softer fiscal stance in the Euro-11 area and contributed to the recent fall in the value of the Euro.

Economic conditions in Germany are very weak. German GDP fell 0.1 percent in the fourth quarter of 1998 while the rest of the

Euro area grew by 0.5 percent. Despite figures showing 0.4 percent growth for the first quarter of 1999, the government forecast for 1999 growth remains a modest 1.5 percent while private sector forecasts are as low as 1 percent. The unemployment rate is at a high of 10.7 percent with 4 million workers unemployed.

While easier macroeconomic policies in Europe and Germany would help, Germany needs to implement structural economic reforms (in labor policy, tax policy, welfare policy, deregulation policy) to achieve higher sustained long-run economic growth. Similar structural reforms will have to be implemented throughout the Euro area to sustain better long-run economic performance.

Status of the U.S. Economy

The U.S. economy continues to achieve solid growth with low inflation. The expansion is now in its ninth year, making it the longest peacetime expansion in U.S. history. Unlike past expansions, this one has picked up momentum as it has matured. The domestic sectors of the economy such as the household sector and business investment have been especially vibrant, offsetting a drag on economic growth from a widening foreign trade balance.

Gains have been impressive. Over 18 million new jobs have been added since the beginning of 1993. The unemployment rate has been at or below 5 percent for the past two years, the best in almost 30 years. Rising wages and salaries, combined with very low inflation, means higher real earnings after decades of stagnation. Productivity has accelerated to well above its long-term trend, keeping unit labor costs low despite tight labor markets. Inflation has also been held down by low import prices, including a drop in oil prices, and by competitive pressures from abroad. There may be a somewhat larger increase in inflation this year as oil prices reverse, but price growth should still be subdued. Prices for imported goods other than oil continue to decline, and industrial production is operating well below capacity. Inflation expectations show no sign of increasing and should continue to exert a moderating influence. Obviously, developments in this area are being monitored closely -- within the Administration and at the Federal Reserve.

The Federal budget deficit has been eliminated. After decades of mounting deficits, the deficit was cut each year since 1993 until a surplus was achieved in 1998. Federal debt held by the public was reduced for the first time in 29 years. Deficit reduction allowed interest rates to decline and stimulate private investment. The result has been a doubling of the net

national saving rate since 1992 despite a decline in personal saving.

There have been some negatives. Manufacturing has been a weak spot in the jobs picture, affected by global economic conditions and shrinking exports. Weakness among our trading partners and the strong domestic economy resulted in a widening foreign trade deficit to new records in 1998, with further deterioration likely in 1999.

Few other imbalances are in sight, but we know there are always risks. The outlook is for growth to continue as underlying fundamentals in the domestic economy are sound. The Administration assumed in the February budget projections that growth will slow to about 2 percent over the next few years, although recent strength in the economy has caused the Blue Chip consensus of private forecasters to mark up expectations of 1999 growth to more than 3 percent. The near-term slowdown is expected to result mainly from waning effects of stock market gains on consumption, slower growth in investment and residential construction, and continued weakness abroad. In the long-term, growth is projected to move back to its long-run sustainable rate of about 2 1/2 percent.

BACKGROUND PAPER: INTERNATIONAL FINANCIAL ARCHITECTURE

The current G-7 effort to strengthen and reform the international financial system dates back at least to the Lyon Summit and was intensified after the 1994-1995 Mexican crisis. Of course, the Asian, Russian and Brazilian financial crises that began in the summer of 1997 have heightened concerns. The Finance Ministers' Report to Heads on International Financial Architecture, to be endorsed by the Leaders at the Cologne summit, has specific roots in the Leaders' and Finance Ministers' Statements of October 30, 1998. Those statements laid out a broad plan of consideration for concrete measures "to create a strengthened financial architecture for the global market-place of the next millennium that captures the full benefits of international capital flows and global markets, minimizes the risk of disruption, and better protects the most vulnerable."

At each stage of the process, including the preparation of the Report to Heads, U.S. leadership has been essential in articulating the scope and details of the initiative and forging a consensus around a set of practical achievements and proposals. U.S. leadership was instrumental in initiating a process of broader participation in the architecture discussions, especially to include a substantial number of significant emerging-market economies. This began with last year's G-22 Working Groups and the publication of their detailed proposals, and continued this year with two G-33 seminars on architecture, one in Bonn and one in Washington. The Report to Heads includes an agreement to extend this process through regular meetings among a broad group at the Finance Minister level, and the U.S. proposal for a Leaders' Meeting among such a group would be a very useful step in validating this inclusive approach toward global consensus-building.

As the Report to Heads details, a number of significant, concrete reforms have already been agreed and implemented by the G-7 and the international community. Key examples include the Financial Stability Forum, which will facilitate closer international cooperation among financial policymakers and regulators; the IMF's Contingent Credit Line, which will help protect countries against contagion and provide incentives for countries to adopt sound policies; and strengthening of the IMF's Special Data Dissemination Standard (SDDS), furthering the crucial effort to provide markets with more data about countries' economic conditions.

The Report proposes a number of important measures for continuing reform. Key among these is a policy statement outlining a framework for involving the private sector in crisis prevention and resolution. Other examples include revising the Basle Capital Accord and other measures to improve risk management by financial institutions (including hedge funds); measures to improve key policies in emerging markets, including debt management and exchange rates; and policies to protect the most vulnerable during crisis and promote broad sharing in the benefits of globalization. The Report's proposals fall into six broad categories:

- strengthening and reforming the international financial institutions and arrangements;
- enhancing transparency and promoting best practices;
- strengthening financial regulation in industrial countries to promote sound risk analysis by creditors and investors;
- strengthening macroeconomic policies and financial systems in emerging markets;
- improving crisis prevention and management, and involving the private sector; and
- promoting social policies to protect the poor and most vulnerable.

BACKGROUND PAPER: FINANCIAL CRIME

G-7 initiatives to combat financial crime continue to play an important role in the development of regimes required to fight money laundering and other financial crimes. The G-7 Finance Ministers have noted the corrosive effects that money laundering and other financial crime have on the global financial system and legitimate financial transactions, and they have effectively used the Summit process to articulate priorities and encourage additional work in this area.

This year, one important endeavor against financial crime has been completed, and another has just begun. Support for these initiatives within the G-7 Heads Statement lends credence to their work.

Since the Birmingham Summit, G-7 initiatives on financial crime have focused on improving international cooperation between law enforcement and financial regulators in investigations concerning financial crime and regulatory abuse, and on the Financial Action Task Force's work on "non-cooperative jurisdictions."

The G-7 Working Group on Financial Crime. The mandate of the G-7 Working Group on Financial Crime was developed by the G-7 at the Denver Summit and extended by G-7 Finance Ministers leading up to the Birmingham Summit. The Working Group has now completed its work with the development of 10 Key Principles to improve international cooperation between financial regulators and law enforcement authorities. Because the Working Group aims to promote the Key Principles as the international standard, their endorsement in the G-7 Statement is crucial.

Non-Cooperative Countries and Territories. Leading up to the Birmingham Summit, the G-7 Finance Ministers called on the 26 nation Financial Action Task Force (FATF) to look at the problem of "non-cooperative jurisdictions." The FATF has initiated this work and is in the process of establishing agreed criteria to define "non-cooperation." Target jurisdictions will likely be those that offer financial services without appropriate control or regulation, allow customers excessive banking secrecy, and fail to assist other jurisdictions in specific judicial and administrative matters. This results in thwarted investigations, provides safe harbors to organized crime, and undermines the stability of the global financial system. The work of the FATF is meant to put pressure on the identified jurisdictions, including some offshore financial centers, to bring their systems into compliance with international anti-money laundering standards. With work still underway, support of the G-7 Heads is very helpful.

BACKGROUND PAPER: HARMFUL TAX COMPETITION

The United States, together with its G-7 partners, is working within the OECD and the Financial Action Task Force (FATF) on separate initiatives designed to (i) encourage greater cooperation in developing international standards to address tax evasion and avoidance and counter harmful tax practices, and (ii) improve information exchange between countries in an effort to increase tax compliance. Continued G-7 support is important as this work moves from conceptual discussions towards actual implementation.

One of these initiatives, is the United States' involvement in the OECD's Harmful Tax Competition project. The project is an attempt to restrain harmful tax practices that erode the tax bases of the United States and other countries, distort trade and investment patterns, and undermine the fairness, neutrality, and broad social acceptance of tax systems generally. The Harmful Tax Competition project is based on the OECD's report Harmful Tax Competition: An Emerging Global Issue, released by the OECD Council of Ministers on April 29, 1998. The project targets both harmful preferential tax regimes in OECD member countries and jurisdictions classified as tax havens, and work has already begun on the process of identifying jurisdictions as potential tax havens and consulting with these jurisdictions regarding the elimination of harmful tax practices. The G-7 Heads of State endorsed this project at the 1996 Lyon Summit, and in their May 1998 and April 1999 statements the G-7 Finance Ministers strongly endorsed the Report's recommendations.

The G-7 Finance Ministers also encouraged international action to enhance the capacity of anti-money laundering systems to deal effectively with tax related crimes. In response, the United States, together with its G-7 partners, has been working at the OECD and the FATF on two related initiatives. The first initiative involves strengthening anti-money laundering reporting requirements by eliminating a loophole that exists under the laws of many countries. This "fiscal excuse" loophole allows individuals to avoid anti-money laundering reporting by claiming their transactions only involve tax offenses. The second initiative seeks to permit money-laundering authorities, to the greatest extent possible, to pass information to their tax authorities to support the investigation of tax related crimes. Together, these initiatives seek to strengthen anti-money laundering systems and to increase the effectiveness of tax information exchange arrangements.

The United States has also been a strong supporter of efforts within the OECD to eliminate excessive bank secrecy. The OECD is

currently preparing a report that will encourage countries with excessive bank secrecy laws and practices to review those laws and practices with a view to allowing tax authorities access to bank information for all tax administration purposes. The United States has a strong interest in opposing excessive bank secrecy rules, because such rules facilitate tax avoidance and evasion and give financial institutions located in bank secrecy countries an unfair competitive advantage over U.S. institutions (who are required by law to allow access to bank information).

BACKGROUND PAPER: DEBT RELIEF

In September 1996, the international community reached agreement on a comprehensive, coordinated approach by all creditors (multilateral, official bilateral and others) to assist the heavily indebted poorest countries (HIPC), known as the HIPC Debt Initiative. For the first time, the international financial institutions (IFIs) joined bilateral donors to provide debt relief. So far, seven countries, Uganda, Bolivia, Burkina Faso, Guyana, Côte d'Ivoire, Mali and Mozambique, have been declared eligible, but only three countries have actually received debt relief. Uganda qualified for \$650 million in HIPC debt relief in April 1998, Bolivia qualified for \$760 million in September 1998 and Guyana received \$410 million in May 1999. We expect Mozambique to reach its completion point in June and to qualify for more than \$2.9 billion in debt relief.

Financial turbulence in recent years has underscored the vulnerability of the poorest countries to commodity price swings and economic growth in developed countries. This combined with the urgent need for social sector investment in these countries led to calls for changes in the HIPC initiative in order to provide a more robust solution for their debt problems.

At the African Ministerial in March 1999, you called for a debt initiative that would deepen and accelerate debt relief without undermining the incentive for sustained economic performance. You also sought to increase the focus on poverty reduction. The Koln Debt Initiative reflects your call for accelerated and deeper debt relief that maintains incentives for economic reforms and provides a framework for channeling freed up resources into poverty reduction programs.

The proposed change to the initiative would increase the number of countries expected to qualify for HIPC relief from 29 to 33 and would more than triple the amount of relief now available under the current framework from \$12.5 billion in 1998 constant dollars to \$40 billion. This could result in annual debt service reduction of as much as \$3-4 billion, that could be spent on poverty reduction programs.

The new initiative would provide deeper debt relief, more quickly, to a broader range of the poorest, highly indebted countries committed to reform. It has three key components:

- Poverty Reduction. The new initiative is built around a new framework of policy conditions, anchored in reformed IMF and World Bank programs, that provide for a greater link to poverty reduction, through more investment in health, education and other basic social needs.
- Deeper Debt Reduction. The new initiative would provide significantly deeper debt reduction to eligible countries, including through 100 percent cancellation of concessional loans, and deeper reductions in non-concessional loans by governments and loans by the international financial institutions.
 - France and Japan are pushing for very modest reductions, with the UK isolated in favor of a proposal with prohibitive costs.
- Faster Relief. We have agreed on a series of proposals that would allow eligible countries to benefit from cash flow relief through earlier reductions in debt service and earlier reductions in the stock of debt outstanding.

The expanded initiative will roughly double the cost for the World Bank and other multilateral development banks, adding about \$7 billion. Costs are difficult to estimate and vary according to country export performance, interest rate movements and GDP growth -- all of which are difficult to forecast precisely in underdeveloped countries. We expect that the World Bank will be able to continue to fund its participation from internal resources although this will reduce the level of the Bank's concessional resources available for new lending. The regional banks, on the other hand, particularly the African Development Bank, do not have the financial capacity to fund additional debt relief from their own resources. Consequently, they will rely primarily on increased bilateral contributions to the HIPC Trust Fund to meet added costs.

We believe our "fair share" of the increased regional MDB costs could be about 20 percent, reflecting the level of U.S. contributions negotiated for recent MDB concessional capital replenishments. A rough estimate of the U.S. share of costs for the HIPC initiative could be \$100-200 million per year. Other donors, such as the French, may argue that a U.S. contribution should be higher, based on our relatively larger economy.

Burden sharing, however, can and should reflect more than just the ability of the donor to contribute.

BACKGROUND PAPER:
ASIAN AND LATIN AMERICAN ECONOMIC OUTLOOK

Latin America. Last year financial turbulence, weak oil and other commodity prices, and bad weather struck Latin America. Growth across the region suffered, and several countries were thrown into recession, including Brazil, Argentina, and Venezuela. On the whole, the region responded with sound economic adjustment policies which, together with more stable international financial markets, are expected to foster a recovery in growth in the second half of 1999. But the region remains vulnerable to shocks such as renewed financial turbulence and declines in commodity prices. There is also the risk that as recovery takes hold, complacency will creep in and policies will slip. For Brazil, the biggest challenge is to put in place medium-term measures to curb its chronic fiscal deficits and contain the growth of its national debt.

Asia. Of the five crisis-affected economies (Indonesia, Korea, Malaysia, the Philippines, and Thailand), Korea has shown the strongest signs of recovery with growth expected to be 4 percent or more this year. The Philippine, Thai and Malaysian economies are also expected to register positive growth. In Indonesia, continuing political uncertainty and the magnitude of necessary bank and corporate restructuring have hampered recovery. Nevertheless there are signs that the worst may be over in Indonesia, as first-quarter GDP showed significant gains in agricultural output, while inflation declined sharply. In addition to the crisis countries, China is officially projected to grow 7 percent this year due in large part to a pump-priming public investment program. However, China faces significant downside risks this year due to sluggish private domestic demand, persistent deflation, dim export prospects and the short-term dislocations with reforms in the financial sector and state-owned enterprises.

BACKGROUND PAPER: UKRAINE NUCLEAR SAFETY

We will reach the culmination of our efforts on Chernobyl in the year 2000, when Ukraine is committed to closing Chernobyl under the 1995 G-7/Ukraine Memorandum of Understanding (MOU). The next few months will be a critical and complicated part of this end game in that Ukraine is in the throes of election-year politics and must undertake essential power sector reforms. President Kuchma has said he needs help in three areas in order to close Chernobyl in 2000: full grant funding to repair the Chernobyl sarcophagus (requires filling a gap of \$350-400 million); approval of a multilateral loan for completing the partially-built Rivne-4 and Khmelnytsky-2 (R4/K2) reactors; and more G-7 support to help defray the costs of fossil fuel purchases to provide power in the period after Chernobyl closed and prior to availability of the first completed reactor. We need to ensure that the other G-7 agree on the key measures to do this.

On the sarcophagus, we are working to be able to have the G-7 announce a \$300 million pledge to help set a positive tone for the relationship between the G-7 and the new government. The sherpas have agreed to hold another pledging conference before the 2000 Summit, and it would be even more valuable to have this conference held soon to encourage non-G-7 countries to make their own pledges.

On the loan for R4/K2 reactor project, we are prepared to support Ukraine's application if the loan meets the EBRD's due diligence and our own statutory requirements regarding development bank projects with significant environmental impact. Key to having the loan pass the financial due diligence test -- and equally important to improving Ukraine's overall economic health -- is getting Ukraine to move ahead on power sector reforms. Reforms are also needed to improve nuclear safety by increasing the resources given to the nuclear regulator.

Finally, power sector reforms will also help Ukraine to afford the fuel that it needs for the period after Chernobyl closes and prior to the opening of the first reactor.

BACKGROUND PAPER: OECD ISSUES

At the December 1998 Sherpa meeting, France and Germany argued that the OECD had lost direction. Sherpas asked Foreign Affairs Sous-Sherpas to examine G-7-OECD linkages on key issues. Canada prepared a paper citing three challenges for the OECD: redefining a common vision for an open international system that responds to concerns regarding globalization; managing its relationship with non-member countries; and reforming itself to better address horizontal issues. Although nearly all the G-7 countries drafted responses to this paper, the issue was not discussed again by either Sherpas or Foreign Affairs Sous Sherpas. There is no reference to OECD reform in the draft Summit Communiqué, but the OECD is called upon to provide policy analysis and recommendations in areas such as education, social safety nets, untying aid, and environmental approaches for export finance agencies.

Concern over the direction of the OECD may have abated as a result of the agreement reached in April on its budget and scale of contributions. The May 4-5 meeting of the OECD's Executive Committee in Special Session (ECSS), echoing the themes expressed in the Sous Sherpa papers, showed that members were generally satisfied with the OECD's role as a provider of reliable, unbiased policy analysis and advice on a wide range of economic and social issues. ECSS delegates identified useful niches for the OECD in support not only of the G-7 agenda, but also of preparations for a new trade round in the WTO, and of integration of Southeast Europe in light of the conflict in Kosovo. There is now even consensus on an appropriate OECD work program on investment, the issue that was most likely behind the original French concern.

The ECSS will take up issues relating to the OECD's future (expansion, outreach, reform) at its fall meeting. As there is not yet G-7 consensus on these issues, there seems to be little point in reopening discussion of OECD reform at the Summit.

BACKGROUND PAPER: EURO-11 G-7 REPRESENTATION

In late 1997, Treasury believed it had reached an understanding with the European G-7 Finance Ministries and Central Banks (Germany, France, and Italy): after the launch of the euro, the European Central Bank (ECB) would be allowed to participate in the G-7 finance ministerial meetings, while National Central Banks (NCBs) would be phased out. The Europeans, pressed by the non-G-7, then began pressing for additional European representation: the President of the Euro-11 Council and a Commission representative. This led to an effective standoff between the United States and Europe on this issue. Although there were no strong supporters of Commission representation, the euro zone countries were adamant about creating a role for the Presidency in the G-7, apparently as an important symbol of their enhanced status under a unified currency.

In the meetings around the G-7 Finance Ministerial, we have finally reached agreement for G-7 finance meetings arrangements. For discussions of economic surveillance and exchange rate issues, the ECB and the Presidency of the Euro-11 will be in the room, but the national Central Bank representatives for Germany, Italy and France, who no longer have competencies in these areas, will not. For the rest of the meeting topics, the ECB and Euro-11, the President will leave the room, and the national central bankers will rejoin. The European Commission's role will remain unchanged. They will participate only when invited by the G-7, as they have been in the past when topics such as coordinating policy toward Russia are discussed.

**G-8 FRIDAY EVENING
BACKGROUND PAPERS**

~~CONFIDENTIAL~~

BACKGROUND PAPER: CYPRUS

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Resolution of the Cyprus dispute has stalled because of unacceptable Turkish preconditions that any negotiations should resume on the basis of a "confederal" solution that would involve recognition of a Turkish Cypriot state. G-8 foreign ministers have recommended that Summit Leaders urge the UN Secretary-General to invite the leaders of both parties to enter into comprehensive negotiations without preconditions. Such a statement by leaders would give an important impetus to the resumption of talks and send a powerful signal to Turkey that resolving the Cyprus issue remains an international priority. (Independent of a G-8 statement, key allies are reinforcing bilaterally with Ankara that the Cyprus problem will remain an irritant if unresolved and that Turkey can meet most of its core interests and concerns through a negotiation.)

We have worked closely with the UK on the initiative, and the reaction by other G-8 members has been positive. The Turkish side, however, does not support a statement and fears that Russian involvement will not help the process (although the G-8 is merely serving as a vehicle to push talks under UN auspices). We have told the Turks that we support a G-8 statement and, now that we have their attention, should follow through. If you and new Turkish Prime Minister Ecevit are able to develop a good working relationship, progress towards resolution of the Cyprus dispute may prove possible before the November OSCE Summit in Istanbul. Nonetheless, we will have to gauge the possibility of an outright Turkish rejection of a G-8 statement as the Summit approaches. To avoid this, we will try to word the statement in a way that draws the Turks in while not undermining our support for a bizonal, bicomunal federal solution. Omitting a specific timeframe for resumption of talks may help keep the Turks in the game, as well as preserve our options.

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Reason: 1.5 (b) (d)

Declassify on: 06/16/09

BACKGROUND PAPER: JORDAN - DEBT FORGIVENESS

Despite grumbles that Jordan's previous rescheduling was supposed to be final, the Paris Club gave Jordan a fifth, very generous rescheduling in May. (\$800 million of debt service was rescheduled on favorable terms.)

Between 1994 and 1997, the United States forgave about \$700 million (most of Jordan's pre-1994 debt). Further bilateral debt reduction would require a new appropriation from Congress. Instead, the Administration decided to ask Congress for a supplemental appropriation. (An appropriation for Jordan of \$100 million has been granted for FY 1999, with a view to an additional \$100 million supplemental for each of the next two years.)

We have been helping Jordan make the case for debt forgiveness, especially with Japan (who holds 22 percent of Jordan's debt). You emphasized the need for debt relief in a letter to your G-7 counterparts just prior to King Hussein's death, and raised the issue with Prime Minister Obuchi on May 4.

Canada has indicated readiness to provide grants worth \$10 million over the next five years (equal to more than half of Jordan's debt to Canada).

BACKGROUND PAPER: KASHMIR

The situation in Kashmir is increasingly dangerous. Indian military efforts are focused on pushing back Pakistani troops across the line of control near the town of Kargil. The infiltrators occupy high ground overlooking a strategic road supplying the Kashmiri region of Ladakh and Indian forces on the Siachin Glacier. Prime Minister Vajpayee's determination to wrest back the territory is reinforced by the tough election campaign he is about to enter.

India has apparently made some gains but they are far from their goal of re-occupying all the ridges. There are numerous signs that the Indian military is making preparations for possible fighting along other parts of the border. Our aim from the first has been to get the Pakistanis to withdraw before there is an escalation.

Bilateral Talks. The Pakistani Foreign Minister's June 12 visit to Delhi was unsuccessful. India was only willing to discuss Pakistani withdrawal, and Pakistan wanted to arrange a ceasefire in place. There are no more talks currently scheduled. The two prime ministers have talked periodically throughout the crisis, trying to build apparently on the relationship they developed during the February Lahore Summit.

U.S. Involvement. You have written and phoned both Prime Ministers. You have asked Vajpayee to exercise restraint while international pressure on Pakistan was allowed to work. With Sharif, you have urged that Pakistan undo the crisis it had created by withdrawing to its side of the line of control. Sharif's letter of reply on June 11 challenged the U.S. interpretation of events, and asked for United States and U.N. involvement in resolving the status of Kashmir. India demarched G-8 embassies on June 8 with a request that Kashmir not be discussed in the G-8 Communiqué, but has not raised objection to the mention the topic received at the Foreign Ministerial.

The Chinese Angle. Indian Foreign Minister Jaswant Singh was in Beijing June 14 and Sharif is scheduled to travel there at the end of June. We have asked the Chinese to weigh in hard with the Pakistanis; the loss of their last big international supporter might cause Islamabad to reconsider its misadventure in Kashmir.

**G-8 SATURDAY MORNING
BACKGROUND PAPERS**

BACKGROUND PAPER: TRADE

The treatment of trade issues assumes particular importance at this year's summit because the United States will host the next Ministerial Conference of the World Trade Organization (WTO) in Seattle November 30 - December 3. At that Ministerial, WTO Members will launch a new "Round" of multilateral trade negotiations, though developing countries are still struggling to implement what was already agreed in the Uruguay Round. The Summit also comes at a time when we and the European Union are grappling with several significant trade disputes, most prominently our challenge of the EU's restrictions against hormone-fed beef. Lastly, as of this writing, WTO Members remain deadlocked over the selection of a successor to Renato Ruggiero for Director-General of the WTO.

The U.S. view is that the Seattle Ministerial should yield results in three main areas: (1) launch negotiations (at a minimum in the already agreed areas of services and agriculture, and, very likely, industrial tariffs and non-tariff barriers) and agree on other future WTO work (e.g., that could include trade and labor and further work on trade and the environment); (2) finalize agreements (e.g., possible agreements in key areas such as transparency in government procurement, a permanent moratorium against duties on electronic commerce transmissions and an expanded Information Technology Agreement (ITA II); as well as the possible elimination of tariffs in certain sectors endorsed by the APEC economies); and (3) institutional improvements (e.g., consultations with stakeholders, stronger relations with IFIs and the ILO), including ratification of the results of the review of dispute settlement procedures -- which is to be completed in July and where transparency and improved implementation are priority issues.

Some of our trading partners believe that the only way progress can be made is by adopting a traditional, Uruguay Round-like approach to negotiations in which a "comprehensive" scope is favored over a "sectoral" one, and nothing is agreed until everything is agreed (the so-called "single undertaking"). We agree that the package needs to be sufficiently broad-based, but we want to avoid overloading and have argued for exploring other approaches toward negotiations that would permit the delivery of continual, timely results. A manageable agenda is essential for obtaining the agreement of developing countries to move ahead; EU and Japanese efforts to include investment and competition policy in a new round of negotiations therefore complicate these efforts. U.S. domestic consultations to date have also placed a high priority on the effective implementation of existing WTO agreements (e.g., intellectual property), a continuation of the

forward work under way in certain areas (e.g., technical barriers to trade, or "standards"), making concrete progress in improving the transparency and openness of the WTO, and continued expansion of the WTO's membership through the accession negotiations.

Transparency. In last year's speech to the WTO, you challenged the WTO membership to be more responsive to public concerns, the most important of which was achieving greater transparency in the functioning of the WTO, including dispute settlement proceedings. A draft decision that would expand access to documents and allow release of dispute settlement reports (findings and conclusions) as soon as they are available in the WTO's working languages is still pending WTO approval, due to Mexican objections. The WTO has expanded its dialogue with stakeholders, including in these efforts its High-Level Meetings in March on trade and environment and trade and development. However, if genuine progress is to be made in these areas before or at the Seattle Ministerial, our developed G-8 partners must assume a much stronger stand in favor of at least practical yet meaningful improvements.

Developing Country Concerns. A number of developing countries are arguing that the Uruguay Round outcome was unfavorable to them and that the financial crisis has made it impossible to further liberalize their trade regimes, or implement fully key WTO agreements, such as intellectual property. This is a non-starter. While technical assistance can be addressed in terms of making the WTO's and IFIs' activities more coherent and less duplicative, it is also the case that past assistance for WTO implementation has been underutilized. The G-8 message needs to avoid sending signals that developing countries will be able to backtrack from their obligations, at the same time that we would look for useful ways to enhance the further integration of especially the least-developed countries into the global trading system. We want to take practical steps to help the least-developed derive more benefits from the trading system, but should be wary of EU efforts to press for zero duties on industrial tariffs for such countries. We're ready to explore a variety of options but could not now accept the EU's proposal due to domestic opposition.

Selection of the Next Director-General. At this writing, the Thais have blocked a consensus in favor of New Zealand's Mike Moore and are seeking a vote in a last-ditch effort to have Deputy Prime Minister Supachai selected. At the Quad meeting in early May, trade ministers agreed that the question needed to be resolved soon and on the basis of consensus rather than voting. (Our goal has been to avoid a vote.) Japan has taken a particularly strong stand in favor of Supachai/against Moore, while sentiment among EU member states is divided. Of the European G-8 Members, Germany, Italy and France support Moore,

while the UK backs Supachai and surreptitiously has been pressing the Thais to push for a vote. Canada reminds others that its candidate, former trade minister Roy MacLaren, has never formally withdrawn from the race.

Labor/Environment. Despite efforts to urge the G-8 that these issues need to be addressed as part of the new round, we are still meeting substantial resistance. The UK has led the EU opposition to any meaningful collaboration on labor, including on enhancing the WTO's cooperation with the ILO. On environment, the NGO community is hostile to the WTO for lack of transparency and fears that any new negotiations on investment for which the EU and Japan are pushing will further erode policies aimed at sustainable development. There are wide differences among the G-8 on many substantive issues and details, but we all agree that we need to find a way to enhance confidence in the WTO's ability to respond to the concerns of the environmental community. Transparency is a good start.

GMOs. The European approval process for genetically-modified crops has broken down, and looms as a significant market access barrier for U.S. growers. Farm groups and the biotechnology industry have generated letters signed by more than [40] Members of Congress urging you to raise this issue at Cologne. You should take the opportunity to raise the issue during the trade portion of the agenda (rather than waiting for Chirac to raise it during the environment segment, as he says he will). You should emphasize that a decade of experience in the United States demonstrates that biotechnology can offer environmental benefits while improving productivity, and urge that this issue be addressed on the basis of sound science.

Unfortunately, our only ally on this issue in the G-8 is Canada. (Prime Minister Blair has indicated an openness to considering the benefits of biotechnology, but has been the target of considerable criticism with Britain for this approach.) Negotiations on a Biosafety Protocol stalled last February in Cartagena over a number of issues, including coverage of agricultural commodities, documentation/labeling and the relationship to obligations under the WTO. Negotiations should not restart until governments have thoroughly conferred on how to bridge the gaps in their positions.

BACKGROUND PAPER: RUSSIAN ECONOMIC SITUATION

The Russian economy has stabilized considerably in recent months, benefiting from the ruble devaluation (which boosts competitiveness) and higher oil prices, rather than from any significant progress on economic reform. At the time of Primakov's dismissal, inflation had fallen to 3 percent/month, the exchange rate had stabilized in the 24-25 R/\$ range, reserves had risen by \$1 billion to \$11.6 billion, industrial production had reached pre-August 1998 crisis levels, and the equities market index had risen 65 percent since the beginning of the year.

The improving economic situation also helped improve Russia's fiscal position, a key factor in gaining approval of its potential IMF program. April revenues increased nearly 30 percent over March. Cumulative revenues remain below the IMF targets of 11.8 percent of GDP, but the new trend line makes the targets appear more achievable. These positive developments stem primarily from better tax collection from the energy sector, whose profits have soared as a result of higher oil prices and the devaluation. A challenge for the new government will be to continue to improve fiscal results as Russia enters its election season when revenues typically fall and spending increases.

The new government is working with the IMF on implementing the agreed conditions for board approval of its \$4.5 billion, 18-month IMF package. Key conditions for IMF board approval of Russia's program are: passage by the Russian parliament of revenue measures and bank restructuring legislation, elimination of currency controls, and resolution of allegations of mismanagement of Russian reserves. Funds provided to Russia will be kept in Russia's account at the IMF and will be used to pay Russia obligations to the IMF, which total roughly \$6 billion over the period of the IMF program. While Prime Minister Stepashin has pledged to push aggressively for Duma passage of fiscal and banking legislation, this will be a tough battle.

Approval of the IMF program is strategically important; it allows for disbursement to begin on Russia's \$2.3 billion World Bank program and for formal Paris Club discussions on deferring Russia's debt. Russia is in arrears to Paris Club creditors on roughly \$3B in Soviet-era debt, much of it owed to Germany. Russia has also defaulted on about \$1.6B debt to private

creditors. Russia has made repeated requests for partial forgiveness of its Soviet-era Paris Club debt, but the Germans, in particular, have opposed this proposal. There is general consensus among the G-7 that any discussion of long-term solutions to Russia's debt problem should await a future political team that can put together a stronger reform agenda. In the meantime, once an IMF program is approved, Russia has been informed by the Paris Club that they can expect deferral of Soviet-era debt payments for the term of the IMF program. The real key to Russia's long term prosperity and integration into the global economy is progress on a long list of structural reforms: measures to increase competitiveness and improve the investment environment, bank restructuring, reducing barter, creating opportunities for small business, reducing corruption, tax reform, improving social programs. The World Bank structural reform program addresses many of these issues at the federal government level while U.S. bilateral assistance is increasingly concentrating on supporting regional reforms and private sector development. The new G-8 assistance coordination initiative for Russia is designed to provide both a strong signal of political support to the Russians and to enhance the West's efforts to provide effective assistance to Russia as it addresses the challenges of transition.

BACKGROUND PAPER: COORDINATION OF ASSISTANCE TO RUSSIA

The United States cannot possibly address Russia's assistance needs alone. There are areas where the costs of fixing the problem are so great that they go beyond what one country can do -- cleaning up the nuclear wastes from Russia's nuclear submarine fleet and assisting in Chemical Weapons Convention implementation are examples. In other areas, we have decided for policy reasons to be less involved or to stay out entirely. For example, we have moved away from technical assistance to the central government, and concentrated on promoting long-term change at many levels of Russian society. To the extent that other donors are able to provide effective assistance at the central level, however, we are supportive.

In still other areas, we are constrained for political or legal reasons. For example, Congress prohibits use of DOD Cooperative Threat Reduction funding for defense conversion activities or to provide housing and job training for retiring military officers. These are areas where others are not similarly constrained, and could potentially provide resources.

We already coordinate closely with other donors in key areas; coordination is especially good among our missions in Moscow. The EU and the United States both agreed to major food aid programs last fall, and we have periodically consulted with EU officials on our respective plans. We intensified this coordination in early May. We have also begun discussions with the EU and international organizations on coordinating efforts to combat the spread of drug-resistant TB in Russia.

The Expanded Threat Reduction Initiative (ETRI) is the centerpiece of our efforts to assist Russia on non-proliferation matters. G-7 experts met in early June to enhance cooperation on this high-priority U.S. initiative, and we are encouraging other donors to devote more resources to this effort.

By issuing a G-8 Summit statement on the "enhanced partnership" with Russia, we will underscore the shared, long-term commitment of the G-8 to Russian reform and integration into the world economy. We will supplement existing practical arrangements in order to pursue our common objectives: maximizing donor effectiveness and avoiding overlap or duplication of effort. We should also use such mechanisms to press the Russians to remove obstacles to the provision of assistance, such as the long-standing problem of Russian efforts to tax our assistance. While Yeltsin recently signed legislation on this matter, representing a significant step forward, donors will need cooperation of Russian tax and customs authorities to ensure implementation of bilateral and multilateral agreements that exempt assistance from Russian taxes.

BACKGROUND PAPER: SOCIAL SAFEGUARDS AND EMPLOYMENT POLICY

From the U.S. perspective, these topics fit within the larger framework of building resilient societies that can function in a globalized world and create adequate safeguards during economic downturns. This topic is similar to the "employability" themes that have been presented in previous summits, but also includes points about developing labor markets that can respond to demands for innovation, labor mobility and social equity.

We can use these topics to highlight our concern for financial crisis countries and our views on labor policies in the face of structural changes as a result of globalization. We should stress that governments need to ensure that labor policies are flexible enough (as in the United States) to provide incentives to the private sector for job creation as well as incentives to workers to seek employment, while at the same time providing government assistance as necessary to help workers bearing the brunt of serious economic disruption and change. We should use this opportunity to put in place a framework for action, and to create public support for the inevitable trend toward globalization. Our message will be well received by many Summit partners. We can enlist their help in delivering this political message, and in joining us in our effort to be of assistance.

This discussion also covers the issue of labor rights, in particular the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work. The ILO Declaration, adopted in June 1998, reaffirms the commitment of tripartite (government, labor and business) ILO members from 175 countries to five core labor standards: freedom of association, the right to organize and bargain collectively, prohibition against forced labor, effective elimination of child labor, and non-discrimination in employment. At this point G-8 countries seem to be willing only to commit to promoting adherence to the ILO Declaration. The U.S. position, however, is that the G-8 commitment should go further -- to include consideration of labor rights in economic negotiations, including the WTO and international financial institutions. Many G-8 countries are reluctant to support consideration of labor issues in economic negotiations for fear of upsetting developing countries, who characterize U.S. efforts in this area

as disguised protectionism. We could, nevertheless, use this opportunity to again seek G-8 concurrence on joint efforts on a more effective approach to addressing trade issues related to labor standards.

One important issue that may remain open at the outset of the Summit is whether the G-8 will specifically endorse your FY2000 budget proposal (\$25 million) for the creation of a new ILO arm to help developing countries build the institutional capacity necessary to implement the Declaration's core labor standards. Achieving this endorsement and perhaps winning commitments of matching funding from other G-8 countries would constitute a major policy deliverable for your effort to build a new trade consensus by putting a human face on the global economy. Having a dedicated international mechanism to raise labor standards would cause pressure for the inclusion of specific labor clauses in trade agreements and thereby improve prospects for trade liberalization (fast track, FTAA, Seattle, etc.)

BACKGROUND PAPER: EDUCATION AND HUMAN CAPITAL

There is a strong consensus among the G-8 countries and the international community as a whole that adequate investment in human capital is critical to national prosperity, progress and stability in the Information Age. It is also widely accepted that high-quality lifelong learning must become the norm for all citizens in the 21st century, allowing them to keep pace with rapid technological progress and other forces of change by continually acquiring new skills and updating old ones.

Educators in all of the G-8 nations now face the challenge of deciding exactly what knowledge and skills citizens will need for life in the new world ahead. Though in many respects that new world is still emerging, it is clear that in it people will need stronger abilities than ever before in core academic disciplines such as literacy and mathematics. They will also need to be creative and entrepreneurial, and able to work effectively in groups with people of diverse backgrounds.

Because education systems must prepare all students to meet the high standards of the future in these and other essential areas, educators also face the urgent and difficult task of significantly raising the achievement of students from groups whose educational performance has historically lagged behind that of the society as a whole. In many G-8 nations, a persistent educational achievement gap threatens to exacerbate existing tensions over class, race and ethnicity.

In the United States, the standards-based education reform movement that you have supported as Governor and President has worked to promote both excellence and equity for all of America's children. Other nations of the Eight are working toward the same ends, in many cases by adapting existing academic standards, curricula and assessments to the realities of the Information Age. Many are also working to close educational achievement gaps that exist in their societies through programs that target increased resources toward historically low-performing areas and groups. Among the examples are the UK's Education Action Zones and France's Zones of Educational Priority.

As the nations of the G-8 seek to address these challenges in the years ahead, a common concern will be reaching an effective balance between national standards that prepare citizens for success in labor markets that are national and increasingly global in scope, and regional and local autonomy that fosters innovation and makes it possible to tailor educational services to meet the needs of particular communities and individuals.

In the United States, the UK, Germany and Canada, most educational decisions are made at the state or local level. Central governments in Japan, France, and Italy exercise a comparatively greater degree of control over education, though the general trend in those countries has been toward the decentralization of decision-making authority within the context of national or regional standards. For the Russian Federation, finding the right balance between national, state and local authority will be a uniquely difficult challenge, as Russia must turn a centralized education system designed to support a command economy into a decentralized one that will prepare its citizens to survive and thrive in a free market economy that is increasingly connected to the world.

BACKGROUND PAPER: G-8 LABOR MINISTERS CONFERENCE

The Germans have relied heavily on the G-8 Labor Ministers' Conclusions in drafting sections of the G-8 Communiqué for the Leaders meeting. In addition to endorsing the G-8 Labor Ministers Chair's Conclusions, the G-8 Leaders' Communiqué contains several issues/ideas raised by the G-8 Labor Ministers.

- The importance of facilitating job search by offering labor market information and employment services.
- The importance of social safety nets, labor standards, and effective labor market programs in promoting and sustaining globalization and ensuring its benefits are widely distributed.
- Greater cooperation between the ILO and IFIs in helping developing countries implement social safety net systems, labor standards, and effective labor policies.
- Support for ILO's "Declaration on Fundamental Principles and Rights at Work and Its Follow-up," including strengthening the ILO's capacity to assist countries to implement core labor standards.
- Noting that private voluntary codes of conduct can be valuable tools in promoting high standards.

An issue raised delicately in the Labor Ministers Chair's Conclusions that is not in the G-8 Leaders' Communiqué is connecting labor standards and trade in the context of the WTO. The latest draft of the Leaders' Communiqué contains a sentence that reads "We stress the importance of effective cooperation between the WTO and ILO regarding the connection between trade and labor policies." Since there is no action point, we would suggest urging development of concrete ways to enhance WTO and ILO cooperation.

The G-8 Labor Ministers Chair's Conclusions also mention the importance of fostering a culture of lifelong learning to allow people to benefit fully from globalization. This is the theme of the Cologne Charter on "Aims and Ambitions for Lifelong Learning."

Italy has agreed to host a G-8 Labor Ministers Conference next year. It appears that given millennium celebrations in Italy throughout the year, the conference would most likely be held late in the year. This would dovetail nicely as a lead in to the G-8 Leaders meeting in 2001, of which Italy is the host.

BACKGROUND PAPER:
EXPANDED THREAT REDUCTION INITIATIVE

The Expanded Threat Reduction Initiative (ETRI) is the lead issue for the US-proposed summit nonproliferation initiative, together with plutonium disposition and missile proliferation. The US goals are G-8 endorsement of the ETRI and national commitments to seek increased resources for threat reduction activities.

ETRI was developed to address a variety of high priority security concerns resulting from the economic difficulties that have affected Russia and the other NIS for the past year. The Administration is requesting \$4.5 billion over the next five years for extant Defense, State and Energy programs that work with Russia and other NIS meet security, arms control and nonproliferation commitments. Even assuming Congressional approval of this increased funding, we assess there is a \$1 billion per year gap between needs and available resources. We are asking other nations to join this Initiative and to commit resources to meet NIS needs in four major areas: nuclear security; non-nuclear weapons of mass destruction; nonproliferation of weapons expertise; and military relocation and stabilization.

Although the ETRI is not limited to the G-8, achieving strong Cologne Summit endorsement and commitments to support projects is essential. A multilateral effort is needed not only because we cannot meet the scope of the program requirements alone, but also because sustained progress should not be wholly dependent on the U.S.-Russia bilateral climate. The G-7 countries have made positive statements in response to your letters and have called for more resources in the Summit Communiqué, but most have been noncommittal on their own resources. Japan is the exception, offering \$40 million for dismantlement of SSN submarines as well as commitment to a significant element of the Russian plutonium disposition program. We are pursuing broader donor support at the expert level through U.S.-EU consultations and a U.S.-chaired twenty-five-nation meeting.

At the USG behest, the Sherpa-agreed Communiqué language includes a statement of G-8 intent "to build a broad international partnership on expanded threat reduction to address security, arms control, decommissioning and nonproliferation requirements while reducing risks to the environment." The goal at the Summit is to press the heads to act swiftly and decisively to obtain additional resources.

BACKGROUND PAPER: PLUTONIUM DISPOSITION

After 3 years of talking about plutonium disposition, we need to gain agreement in principle to take the necessary financial and organizational steps to make this effort into a viable security regime.

Up to now, G-8 efforts on plutonium disposition have been focused on building an organizational and technical foundation for a plutonium disposition regime. We now have bilateral cooperation ongoing between the U.S.-Russia and Japan-Russia as well as trilateral cooperation between the French, Germans, and the Russians. Past G-8 Foreign Ministerial Communiqués have supported this effort to build an international approach to plutonium disposition.

We currently envision a plutonium disposition that would begin with an initial phase wherein 2 metric tons of excess plutonium from Russian nuclear weapons programs would be disposed of annually in reactors that would burn it as Mixed Oxide (MOX) fuel. A like amount of excess U.S. plutonium would be disposed of through permanent geological disposition. Both the United States and Russia have committed in principle through a joint Presidential statement to commit 50 tons each of excess plutonium from weapons programs to disposition.

Funding is the remaining challenge. The total cost of the envisioned disposition regime is in the range of \$1 billion. The United States has taken the lead on this initiative and has committed \$200 million and has requested an additional \$200 million in outyear funds. Tokyo has also been forthcoming and has committed to take responsibility for program elements that cost tens of millions of dollars.

This leaves the European contribution as the key financial issue. The French are very interested in plutonium disposition -- their companies are likely to be major players in both U.S. and Russian programs -- but have not come through with any financial commitment. The Germans are partnered with the French but are relegated to a supporting role by the antinuclear position of the Schroeder government, although they remain very supportive of the threat reduction and arms control goals of the effort. The UK is supportive but tried to deflect a draw on the Exchequer by emphasizing financing through private market mechanisms -- an approach we view as unrealistic.

Moscow is very supportive of plutonium disposition but has no money and has made clear their Western partners will have to bear the entire cost of the enterprise, which is probably the only realistic course given Russia's foreseeable resources.

Another challenge is agreeing on an organizational approach. We seek agreement to an integrated multilateral approach, although our allies are not yet comfortable with this idea.

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~~CONFIDENTIAL~~

BACKGROUND PAPER:
NONPROLIFERATION: MISSILES

DECLASSIFIED
PER E.O. 13526
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Few threats to global security and regional stability are growing as rapidly as the proliferation of ballistic missiles. Iran, for example, is continuing its aggressive pursuit of an indigenous capability to produce a missile capable of delivering weapons of mass destruction throughout the Middle East and beyond, and North Korea continues to export missiles and develop an ICBM capability. Despite stating publicly that China will not sell missiles to Iran and Pakistan, Chinese entities continue to supply technology to the Iranian and Pakistani missile programs. In South Asia, both India and Pakistan have continued their pursuit of ballistic missiles, with both countries conducting flight tests as recently as April.

In light of these continuing -- and growing -- threats to global security and regional stability, it is critical that the G-8 increase the priority given to missile proliferation. We have succeeded in obtaining G-8 agreement for a missile nonproliferation initiative at Cologne that is consistent with this objective. Our initiative will help to improve coordination among the G-8 of national efforts to tackle the demand-side of the missile equation and to ensure that neither the G-8 nor other potential suppliers assist proliferant missile programs. To do this, we want the G-8 to focus initially on impeding North Korean missile development and exports, and on promoting the adoption of "catch-all" export controls that can prevent items not on multilateral control lists from being supplied to missile programs. Although the Communiqué language will not single out "catch-all" controls, we plan to use the agreed language on the need to strengthen export control mechanisms as a starting point for pressing the G-8, post-Summit, to encourage more countries to adopt catch-all controls. We see the G-8 effort as reinforcing -- not duplicating -- the work of the Missile Technology Control Regime (MTCR) and other export control fora.

The UK has responded warmly to our proposal and suggested specific strategies for implementation, including making adherence to other nonproliferation norms a factor in missile-related licensing decisions, establishing multilateral missile prelaunch notification procedures, and creating a code of conduct for responsible missile policy. While we welcome UK support for our overall proposal, its recommendations for implementation are problematic, largely because they would inadvertently undermine the legitimacy and effectiveness of the MTCR, divert members' attention away from the Regime, and undermine the P-5's own missile-based deterrents.

The NPEG agreed in May that it would hold a special meeting of experts prior to the next MTCR Plenary to discuss ideas for addressing new missile proliferation threats.

~~CONFIDENTIAL~~

Reason: 1.5 (b,d)

Declassify on: 06/20/04

BACKGROUND PAPER:
NONPROLIFERATION: SOUTH ASIAN SANCTIONS

Success in improving regional stability in South Asia, after last May's nuclear device testing by both the Governments of India and Pakistan, is measured by their willingness to commit to international nonproliferation benchmarks outlined by both G-8 and P-5 countries in communiqués issued last June. Prime Ministers of both countries publicly committed at last September's UNGA session to sign the CTBT before the end of September 1999. To date, neither government has signed. The most effective sanction in persuading the Indian and Pakistani governments to commit to these benchmarks is the G-8 unified position supporting deferral of non-Basic Human Needs (BHN) World Bank, IMF, and Asian Development Bank lending to India and Pakistan.

The U.S. objective in Cologne is to: 1) reaffirm the June 1998 commitment by all G-8 ministers, and 2) confirm their continued commitment to deferral of non-BHN loans to India and Pakistan until they sign the CTBT.

Secretaries Albright and Rubin sent letters to their G-8 counterparts in mid-April urging them to maintain the deferral of IFI lending for India until it signs. Replies so far: Germany, Italy, Canada and Japan -- unqualified support; Russia -- opposed. France has stated that it wishes to resume normal IFI lending. The Brits waver back and forth on what is an effective definition of BHN.

The effectiveness of a renewed G-8 commitment to defer non-BHN loans depends on holding the line on a meaningful definition of what is BHN.

Outward unity on the P-5 and G-8 nonproliferation benchmarks is still in place. At the February 11 meeting of the South Asia Task Force (SATF) in Tokyo, the members (G-8 plus key nuclear could-have-beens) reaffirmed their commitment to the benchmarks and agreed to send parallel messages to India and Pakistan on nonproliferation. The next SATF meeting will be in Kiev in June or July.

BACKGROUND PAPER: CRISIS PREVENTION **AND POST-CONFLICT RECONSTRUCTION**

We seek G-8 support for an integrated, comprehensive approach to violent conflict and destabilizing tension utilizing political, economic and peacekeeping tools. Our approach would emphasize tools available to help prevent the emergence of conflict, control ongoing conflicts, and prevent their reemergence. These include preventative diplomacy, stronger regional peacekeeping and crisis response forces, humanitarian aid, development assistance including good governance/economic infrastructure assistance, and professionalized civilian police forces.

Mechanisms. We urge support for the role of mechanisms such as ECOMOG, and peacekeeping capacity-building initiatives such as the Africa Crisis Response Initiative, which are crucial to the reestablishment of security and the rule of law and necessary precursors to reconstruction/development.

European Security. In regard to European security, we support the OSCE's role as a regional organization under Chapter VIII of the UN Charter. We are convinced that the adoption of a European Security Document worthy of the title "charter" at the OSCE summit in Istanbul in November can offer added value to European security and strengthen the OSCE as an institution of choice for early warning, conflict prevention, and crisis management in the region.

G-8 Collaboration. Collaboration among G-8 partners on conflict prevention is key. Developing and employing early warning systems (including regarding social indicators), utilizing technology, and emphasizing information sharing, may bring better results at less cost, both human and financial. To that end, we support the German call for a meeting on conflict prevention and management and welcome their offer to host it in Berlin in 1999. However, we believe that such a meeting would be most useful at the experts -- not foreign ministers -- level. G-8 initiatives on conflict prevention would likely involve reallocation of resources rather than major new commitments.

Post-Conflict Reconstruction. We recognize the need to better manage the transition between humanitarian efforts and long-term development. A field-based collaborative approach among the various actors, particularly local communities, is key to long-term success. The UNHCR/World Bank sponsored "Brookings Process" is one promising forum for identifying potential pilot countries for developing such a field-based approach.

BACKGROUND PAPER: DEVELOPMENT ASSISTANCE

Discussion on the development assistance topic for the Summit has focussed on debt initiatives, ongoing untied aid negotiations in the DAC, and a broad examination of developing and maintaining resilient societies in a globalized world. There does not appear to be an appetite among the members of the G-8 to seriously review ODA levels or issues relating to conditionality and performance.

Since Birmingham, IDA-12 negotiations were completed, with donors providing an additional \$20.5 billion in multilateral grants and concessional lending to the poorest countries, focusing on social sector investments, good governance, promoting broad-based and labor-intensive growth, and environmental protection. In 1999, negotiations for the African Development Fund's eighth replenishment were concluded and produced pledges of approximately \$3 billion in new concessional aid.

The OECD's Development Assistance Committee has a mandate from the 1998 DAC High Level Meeting to prepare a recommendation to untie aid to the LLDCs. U.S. support was based on development and aid quality objectives, as well the opportunity the OECD initiative presented for developing multilateral rules and procedures for untied aid generally. It was thought that sound rules and procedures for LLDCs would provide the opening to later extend OECD scrutiny of untied aid to higher income LDCs.

On May 11-12, the 1999 DAC High Level Meeting was unable to reach consensus on a draft agreement to untie aid to LLDCs. The principle sticking point was the inclusion of investment-related technical cooperation (IRTC) among the categories of ODA to be untied, which France and Japan refused to accept.

After much heated debate, Members did agree, despite initial stiff resistance from France and Japan, to continue working on a recommendation with a target completion date of the next HLM in May 00. The reference point for the continued negotiations will be a text proposed by Belgium with assistance from Sweden, Norway, the UK and the United States. The terms of reference address most U.S. concerns -- IRTC is included (with a threshold of SDR 400,000), food aid is excluded, and language on aid volume commitment to LLDCs is loose. The UK and others may raise the food aid issue again as a matter of principle, but they recognize that it must be excluded to gain U.S. support for any recommendation.

The DAC Chairman will now consider whether there is sufficient political will (i.e. on the part of France and Japan) to continue discussions on aid untying at this time.

BACKGROUND PAPER: ENVIRONMENTAL POLICIES

Climate Change. Much work is underway to shape the detailed rules necessary to fill out the Kyoto Protocol. Senior officials are meeting this month in Bonn, with a focus on rules for the market-based mechanisms (such as emissions trading, the Clean Development Mechanism and the EU "bubble"). Negotiations are scheduled to conclude in late 2000 or early 2001.

Last month, the EU proposed a complex formula for limiting use of some of the market-based mechanisms. (Notably, the formula would not limit use of the EU "bubble," under which Member States plan to reallocate emissions allowances agreed to at Kyoto.) The proposal would drastically limit the ability of Russia to sell emissions reductions attributable to its economic decline (although the EU would be entitled to full benefit for the emissions reductions attributable to economic decline in East Germany). We are working to de-legitimize the European proposal by noting its self-serving nature and the extra costs it would impose in reducing emissions.

Biosafety. Negotiations on a Biosafety Protocol stalled last February over a number of issues, including coverage of agricultural commodities, documentation/labeling and the relationship to obligations under the WTO. Negotiations should not restart until governments have thoroughly conferred on how to bridge the gaps in their positions.

Trade and Environment. In February, the WTO held a high-level symposia on trade and environment, following up on a proposal from your speech to the WTO last spring. The United States used this meeting and other processes to pursue greater transparency and openness to civil society, and a focus on win-win scenarios such as eliminating fishing subsidies that distort trade and contribute to over-fishing. The United States has made a national commitment to conduct an environmental review of the new WTO round.

GMOs. Chirac may raise this topic as an environment issue. Consistent with your themes during the trade segment, you should emphasize that biotechnology offers environmental benefits (such as lower pesticide usage) and that the United States has enjoyed almost a decade of positive experience with genetically modified crops.

CSD Recommendations on Oceans. G-8 representatives at the UN Commission on Sustainable Development ("CSD") all endorsed the recommendations on oceans. The UK will propose that the G-8 Foreign Ministerial statement include a call for implementation of the CSD recommendations on oceans, highlighting specific to unsustainable fisheries, marine pollution, and improved inter-governmental coordination on oceans issues. The United States supports G-8 endorsement of the recommendations on Oceans adopted at CSD, and those just referenced in particular. The United States will encourage the Eight to act in concert within the appropriate global and regional organizations and mechanisms to implement these recommendations.

Environmental Crime. Environmental crime was a focal point of discussion at last year's summit in Birmingham, and the Environment Ministers reported on their progress at this year's meeting in Schwerin.

BACKGROUND PAPER: CREDIT AGENCIES

Each year, export credit agencies support hundreds of billions of dollars of project lending. But these agencies lag far behind the multilateral banks in addressing environmental issues.

In 1992, Congress mandated the Export-Import Bank of the United States to consider environmental impacts in deciding whether to finance a project. In 1995, the Bank instituted formal environmental guidelines (modeled on those of the World Bank/IFC). No other ECA has such guidelines. Thus, for both environmental and competitive reasons, the United States has sought since the mid-1990s to encourage other OECD countries to apply a similar environmental approach to their ECAs. The Denver Summit began G-7 discussion of this issue ("Governments should...take environmental factors into account when providing financing support..."), but the Birmingham Summit took a step back as it only "encourages further work" on the Denver language in the face of stiff ECA resistance to such guidelines.

At Birmingham, other G-7 countries resisted the notion of considering environmental impacts in the export credit decision-making process. After persistent U.S. pressure, most others now generally accept that the OECD Export Credit Group is an appropriate forum for discussing environmental "approaches" for export credits. However, most OECD ECAs are willing to commit, at most, to unspecified *internal* review procedures rather than to accept *common* environmental guidelines. Moreover, most ECAs will not even agree to have their internal procedures draw on elements of internationally recognized guidelines (such as those of World Bank/IFC).

It is clear that without a strong political mandate, ECAs will not begin any serious work on guidelines in the foreseeable future.

Signals from some of the other G-8 suggest that we could make progress in Cologne. In April 1999 at the OECD technical level, all G-7 (and other OECD member) governments have agreed to share information on environmental issues and procedures for major projects. At more senior levels, during various bilateral meetings with U.S. officials over the past few months, both German and UK environment ministry officials have specifically expressed interest in furthering the issue of establishing common environmental guidelines for ECAs. With momentum

building, the time appears right for the G-8 Leaders to provide their ECAs with the political direction necessary to commit to OECD technical work on guidelines (vice mere information-sharing).

France's ECA has been the strongest to resist *common* guidelines, and has recently attempted to deflect criticism by showing unilateral movement on developing internal guidelines. Japan's ECA has also resisted *common* action, although they recently agreed to a *bilateral* information exchange with the United States on environmentally sensitive projects. Italy's ECA will likely fall behind France and Japan in resisting *common* action. The Canadians have become more sympathetic to our position, but are less pro-active than Germany and the UK. Although Canada's ECA also has environmental review procedures, they maintain a "flexible" approach that lacks transparency. Russia's ECA is not active, so Russia has not been involved in the debate. Given that the United States has growing G-8 support for environmental issues generally, we are hoping that a strong and high-level political push on our part may be enough impetus to get a G-8 mandate to have the OECD begin work on developing common environmental guidelines.

BACKGROUND PAPER: MILLENNIUM BUG (Y2K)

Most G-7 countries have increased their focus on the Y2K problem. However, a late start in several countries raises concerns with vital sectors in some countries, namely:

- Germany -- electrical power generation and distribution, and government agency preparations.
- Italy -- telecommunications, transportation and basic utilities.
- Japan -- basic utilities.

Of much greater concern is Russia, which faces potentially major difficulties in virtually all sectors. The most critical of these are the nuclear power generation, electrical power distribution and military sectors.

In addition, regional and multilateral problems could arise from Y2K-related disruptions in the above and other countries. For example, telecommunications or power grid failures in Italy might impact NATO operations at our military bases in Italy. Problems in Russia could result in reduced domestic energy supplies and the cut-off/reduction of electricity and/or natural gas exports to over twenty customer states. Other Y2K difficulties in Russia could result in command and control problems in its strategic warning system.

We are engaged bilaterally and multilaterally with the G-8 countries (and other countries where we have significant interests) in focusing their efforts on undertaking remediation and contingency planning efforts. Specifically we have:

- Organized a G-8 Y2K Contingency Planning Conference for September.
- Provided assistance to Russia and other states to identify potential Y2K problems with former-Soviet designed nuclear power plants.
- Offered to collaborate with Russia in establishing a Center for Year 2000 Strategic Reliability and ensuring "hot-line" communications reliability.

- Worked with the UN and World Bank to establish the International Y2K Cooperation Center, providing technical assistance to all national Y2K coordinators.
- Taken the lead in setting up a second National Y2K Coordinator meeting for June 21-23 in New York, over 150 national coordinators will attend.
- Requested international organizations to provide country-by-country sector preparation analysis by July 1999.

Contingency planning is in progress for all overseas posts. Depending on the status of local Y2K preparations, we may draw down certain embassy staffs in the last quarter of the year.

Due to the "no double standard rule," we will begin advising American citizens in July where they may encounter problems stemming from Y2K issues if they travel and/or reside abroad. We have informed other governments of our obligations in this regard. Clearly such actions have the potential for adverse reactions from the countries so cited.

BACKGROUND PAPER: HEALTH ISSUES

The G-8 has been an invaluable mechanism for mobilizing the Eight to take on emerging infectious disease (EID), which is now the leading cause of death worldwide. At Denver, the leaders agreed to strengthen global disease surveillance and response, and accelerate AIDS vaccine research. At Birmingham, the Eight reaffirmed its commitments from Denver, announced a new effort to reduce the death toll from malaria and other parasitic diseases, and agreed to explore new mechanisms to address HIV/AIDS in developing countries. At this G-8 Summit in Cologne, we have successfully pushed for communiqué language that calls for G-8 support for WHO's global Stop TB initiative as well as continued G-8 support for efforts to combat HIV/AIDS.

There is clear interest among the G-8 in addressing the global TB epidemic. Currently, TB is the single leading infectious killer worldwide, and, increasingly, multi-drug resistant forms of the disease are emerging throughout the world as a result of poor TB treatment practices. These problems present real threats to the G-8 countries themselves, other developed countries, and the developing world. Among the G-8, Russia, in particular, is facing a rising epidemic of TB and has seen a sharp increase in the spread of its drug-resistant forms. The United States has already launched a major effort with WHO to implement TB control measures in Russia. No G-8 member has objected to our proposed call for G-8 support of WHO's Stop TB initiative in the communiqué.

G-8 discussions on HIV/AIDS have been somewhat more contentious. At issue is a controversial French proposal for an International Therapeutic Solidarity Fund (ITSF), which is intended to mobilize resources to make expensive anti-HIV/AIDS treatments available to persons in developing countries. France first proposed the ITSF at Birmingham, where the proposal was met with skepticism. However, the Eight agreed to participate in an experts meeting to discuss the proposal further. The United States took part in several meetings on the fund, including an experts meeting on June 4, 1999, and Secretary Shalala met with the French Minister of State for Health on several occasions to express her concerns about the ITSF.

Under pressure from the international HIV/AIDS community, the original French proposal has evolved. The ITSF no longer focuses on providing extremely costly and technically challenging antiviral treatments to a very limited number of HIV

infected adults; instead the emphasis is on reducing risk of mother-to-child transmission. However, there continue to be profound and worrisome technical and ethical questions about how best to implement such programs and what proportion of resources should be devoted to mother-to-child transmission versus primary prevention of HIV transmission among adults. The bottom line is that poorly implemented programs could do more harm than good. The risk is that such programs could result in a substantial net loss of life among infants, who would be protected from HIV but exposed to diarrheal and acute respiratory diseases without the protective benefits of breastfeeding.

The current U.S. position is that we would not want the Communiqué to formally raise the fund; nor do we support direct funding to the ITSF. However, we recognize that we can improve our understanding of mother-to-child transmission by collaborating with the ITSF at the field level and by establishing systematic methods for sharing information and data. The Center for Disease Control is already engaged in such cooperation. We look to the UNAIDS and UNICEF to help coordinate these efforts. At the same time, our priority continues to be the development of a safe and effective AIDS vaccine.

Vaccine Development

There are major international efforts, mainly led by the United States, the UK, the World Health Organization and NGOs, to develop a malaria vaccine. The United States now spends over \$50 million/year specifically on malaria vaccine research (80 percent from NIH). We understand that the Gates Foundation has set aside at least \$50 million for malaria vaccine research as well.

While the primarily government-based research is moving ahead, the development of a malaria vaccine is complex, problematic, and not being embraced by the private sector. Life would be easier if a simple vaccine like those developed for polio or yellow fever would be effective, unfortunately, like with HIV/AIDS, such is not the case. An effective malaria vaccine, licensed and ready for distribution is at least 10 years off -- maybe more. Mosquito control, bed-nets, appropriate diagnosis and treatment and other prevention efforts will have to do for now.

The pharmaceutical industry is willing to talk about vaccine development -- but will not invest at the expense of profits. They have proposed a number of solutions, including increased national allocation of funds, use of World Bank IDA loans, creation of national health trust funds, grants by foundations, and creation of a global vaccine fund. Health economists from Harvard/MIT have proposed that donor countries pledge now to purchase malaria vaccine when it is eventually developed. Nancy Pelosi has submitted a bill that would provide a 30 percent tax credit on R&D expenditures on vaccines for malaria, TB, HIV and any other disease that kills more than 1 million annually.

**BACKGROUND PAPER: G-8 INTERNATIONAL CRIME
AND LAW ENFORCEMENT ISSUES**

While crime is not a theme of this year's G-8, the issue will be included in the Cologne communiqué in order to mandate further work by the Lyon Group, the G-8 experts-level group that meets several times each year to coordinate international efforts on law enforcement policy and programs. The Lyon Group has been focusing its work on the issues below.

Corruption. In Birmingham, the Heads committed the G-8 to act against corruption. In response, the G-8 (along with over eighty other nations) participated in the February 24-26 global forum on combating official corruption hosted by Vice President Gore. This year the Lyon Group (with a U.S. and French lead) will work with the UN to incorporate corruption-related issues into the draft UN Convention on Organized Crime. In June, the UN group negotiating the crime convention will consider a G-8 proposed provision to criminalize corruption of public officials, and, later, will consider whether a separate comprehensive global convention against corruption (going beyond the Organized Crime context) is desirable.

Moscow Crime Ministerial. Last year the G-8 heads agreed to the Russian offer to host a special Ministerial on international crime. This Ministerial has not yet taken place, but is currently scheduled for October 19-20. Janet Reno will lead an interagency delegation. The Russian agenda for the meeting includes transnational high tech crime and transnational financial aspects of organized criminal activities. We will also suggest that the Ministerial discuss how the Eight can cooperate to distinguish between computer system collapse as a result of Y2K malfunctioning and deliberate fraud or other criminal activities.

UN International Crime Convention. The G-8, through the Lyon Group, has taken a coordinated, leadership role in negotiating the UN Organized Crime Convention and protocols and has reached out for broader international support. G-8 unity has been an important catalyst in making progress in the negotiations. Key issues to be included in the Convention include:

- Firearms/Small Arms Trafficking. We are working toward a firearms protocol to the UN Crime Convention which would aim at criminalization of illicit manufacturing of and trafficking in firearms and ammunition and establishment of regimes to

prevent the diversion of firearms and ammunition. Work on the protocol is expected to be completed in the year 2000.

- Smuggling and Trafficking in Human Beings. The Lyon Group has been reviewing two protocols to the UN Crime Convention, which were rewritten largely on the basis of work done by Canada and the United States. If we are successful, they will call upon signatory countries to criminalize the act of smuggling/trafficking and articles covering definitions, protection of those trafficked, and return of migrants who have exhausted all rights and benefits accorded them under national and international law.
- Money Laundering/Financial Crime. The G-7 and the Financial Action Task Force have been slowly working to develop programs to combat money laundering through offshore banks and other non-compliant jurisdictions. The Lyon Group is currently working on expanding G-8 expertise on asset forfeiture/asset sharing; a project on payment card crime; a project on Eastern European organized crime which involves targeting certain cash flows; and strengthening the article in the UN Crime Convention which relates to money laundering.

BACKGROUND PAPER: NUCLEAR SAFETY AND RUSSIA

The G-7 are unanimous -- Russia's safety practices are poor and present risks not only for Russia, but the larger community because of Russia's continued influence in the nuclear power programs in Armenia, Bulgaria, Lithuania, Ukraine, China, India and Iran. Despite the work begun at the 1996 Moscow Nuclear Summit, G-7 efforts to reach a common understanding with Russia on nuclear safety are faltering. The Russians argue that our criticisms are motivated not by real safety concerns, but by our desire to keep them out of the international commercial reactor market.

Russia is pressing to join our G-7 Nuclear Safety Working Group. The G-7 believe this would damage international nuclear safety efforts, especially because Russia opposes our efforts to secure reactor closure decisions this year in Ukraine and Lithuania. Russia is also actively pressing Armenia and Bulgaria to renege on their commitments to close old and unsafe reactors. A recent letter from the Russian Sherpa claiming that Russia is meeting its commitments on nuclear safety, particularly its nuclear safety agreement with the EBRD, has reinforced G-7 concerns that Russia, at least at the policy level, is not taking safety seriously. We must also insist on additional support and independence for the Russian nuclear regulator. This is a cornerstone of "safety-first" philosophy.

The G-7 believe it is important to continue our nuclear safety discussions with Russia. We are trying to find issues where we might work together. One of the most promising is the Chernobyl sarcophagus work in Ukraine. Russia, which owns most of the design information on these reactors, has agreed to provide Ukraine the key technical details needed to determine what kinds and quantities of nuclear materials may remain in the sarcophagus.

We hope to engage Russia in international efforts to prepare contingency plans to ameliorate the Y2K problems involving Soviet-designed reactors in countries outside Russia. Its ownership of the design specifications of these reactors make it a natural partner in international Y2K efforts. Russia may also have the technical competence and skilled personnel to help these countries design their Y2K contingency plans.

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010. report	Biography (2 pages)	05/25/1999	P1/b(1)

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RESTRICTION CODES

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- b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

Withdrawal/Redaction Marker

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
016. report	Biography (2 pages)	06/01/1999	P1/b(1)

COLLECTION:

Clinton Presidential Records
National Security Council
Executive Secretary
OA/Box Number: 2590

FOLDER TITLE:

The President's Trip to Germany (G-8 Summit), June 18-20, 1999 [2]

2016-0144-M
kh1823

RESTRICTION CODES

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

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

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

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

RR. Document will be reviewed upon request.

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

- b(1) National security classified information [(b)(1) of the FOIA]
- b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
- b(3) Release would violate a Federal statute [(b)(3) of the FOIA]
- b(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
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Withdrawal/Redaction Marker

Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
017. report	Biography (2 pages)	05/26/1999	P1/b(1)

COLLECTION:

Clinton Presidential Records
National Security Council
Executive Secretary
OA/Box Number: 2590

FOLDER TITLE:

The President's Trip to Germany (G-8 Summit), June 18-20, 1999 [2]

2016-0144-M

kh1823

RESTRICTION CODES

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

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Withdrawal/Redaction Marker

Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
018. report	Biography (2 pages)	05/25/1999	P1/b(1)

COLLECTION:

Clinton Presidential Records
National Security Council
Executive Secretary
OA/Box Number: 2590

FOLDER TITLE:

The President's Trip to Germany (G-8 Summit), June 18-20, 1999 [2]

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OF CLASSIFIED ATTACHMENTS

Initials: KBH Date: 3/6/2019

2016-0144-M

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