

**NOMINATIONS OF JOSEPH H. GALE,
DARCY E. BRADBURY, JEFFREY R. SHAFER,
DAVID LIPTON, MELISSA T. SKOLFIELD,
AND DAVID C. WILLIAMS**

HEARING

BEFORE THE

COMMITTEE ON FINANCE

UNITED STATES SENATE

ONE HUNDRED FOURTH CONGRESS

FIRST SESSION

ON THE

NOMINATIONS OF

JOSEPH H. GALE, TO BE A JUDGE ON THE U.S. TAX COURT; DARCY E. BRADBURY, TO BE AN ASSISTANT SECRETARY OF TREASURY FOR FINANCIAL MARKETS; DAVID LIPTON, TO BE ASSISTANT SECRETARY OF TREASURY FOR INTERNATIONAL AFFAIRS; JEFFREY R. SHAFER, TO BE UNDER SECRETARY OF THE TREASURY FOR INTERNATIONAL AFFAIRS; MELISSA T. SKOLFIELD, TO BE AN ASSISTANT SECRETARY OF HHS FOR PUBLIC AFFAIRS, AND DAVID C. WILLIAMS, TO BE INSPECTOR GENERAL, SOCIAL SECURITY ADMINISTRATION

NOVEMBER 30, 1995



Printed for the use of the Committee on Finance

U.S. GOVERNMENT PRINTING OFFICE

WASHINGTON : 1995

22-728—CC

For sale by the U.S. Government Printing Office
Superintendent of Documents, Congressional Sales Office, Washington, DC 20402

ISBN 0-16-052526-8

5361-14

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NOMINATIONS OF JOSEPH H. GALE, DARCY E. BRADBURY, JEFFREY R. SHAFER, DAVID LIPTON, MELISSA T. SKOLFIELD, AND DAVID C. WILLIAMS

THURSDAY, NOVEMBER 30, 1995

**U.S. SENATE,
COMMITTEE ON FINANCE,
Washington, DC.**

The hearing was convened, pursuant to notice, at 10:10 a.m., in room SD-215, Dirksen Senate Office Building, Hon. William V. Roth, Jr. (chairman of the committee) presiding.

Also present: Senators Chafee, Grassley, Simpson, Murkowski, Moynihan, Baucus, Bradley, Pryor, Breaux, Graham, and Moseley-Braun.

OPENING STATEMENT OF HON. WILLIAM V. ROTH, JR., A U.S. SENATOR FROM DELAWARE, CHAIRMAN, COMMITTEE ON FINANCE

The CHAIRMAN. The committee will please be in order. I am pleased to convene this nominations hearing and to welcome the six nominees we have with us today. As has been the custom, I will ask that all nominees keep their statements to 5 minutes.

We will do this hearing in three panels. The first panel will consist of one individual, Joseph H. Gale, who is well known to our committee, to be a Judge on the United States Tax Court for a term of 15 years.

The second panel will consist of Darcy E. Bradbury, to be an Assistant Secretary of Treasury for Financial Markets; David Lipton, to be Assistant Secretary of Treasury for International Affairs; and Jeffrey R. Shafer, to be Under Secretary of the Treasury for International Affairs.

The third panel will consist of Melissa T. Skolfield, to be an Assistant Secretary of HHS for Public Affairs, and David C. Williams, to be Inspector General, Social Security Administration.

I am now happy to yield to my colleague and good friend, Pat Moynihan.

Senator MOYNIHAN. Thank you, Mr. Chairman. I see that we have the two distinguished Senators who were former Governors of the State of Arkansas present, which leads me to believe that Ms. Skolfield comes from Arkansas. [Laughter.]

Senator MOYNIHAN. I know you would want to hear them, first, and then proceed as you have suggested.

The CHAIRMAN. Well, I always admire how observant our distinguished standing member is as to what is taking place. We are delighted to have both of the Senators from Arkansas here to introduce Ms. Skolfield.

Senator Bumpers.

STATEMENT OF HON. DALE BUMPERS, A U.S. SENATOR FROM ARKANSAS

Senator BUMPERS. Mr. Chairman, for the first time in my life I have to correct Senator Moynihan. Melissa Skolfield is not an Arkansan. But, for the benefit of Senator Breaux, she grew up in New Orleans and matriculated at Rice University and from there became the Press Secretary for Mike Andrews, a Texas Congressman with whom most of us are familiar. She stayed there 2 years and came to our office as my Press Secretary in 1987. She stayed with me for 6 years, until she joined HHS after I had highly recommended her.

Senator MOYNIHAN. That kind of qualifies her as a Razorback.

Senator BUMPERS. It is a rich honor, indeed, Mr. Chairman, to commend and strongly recommend Melissa Skolfield for this high position of Assistant Secretary for Public Affairs at HHS.

I will not belabor her talents, except to say that at a time when a lot of good people are shunning public service, it is gratifying, indeed, to find somebody of Melissa's talents moving up the ladder and willing to give herself to public service. She is bright, she is articulate, she is professional in every way, demeanor and attire, she is an outstanding writer, and she is constantly ethical. She not only was a great assistant to me for those 6 years, she has become a close personal friend, as has her husband, Frank.

So, without going any further, I just want to say that we will be richly benefited by her speedy confirmation, which I hope will be forthcoming.

The CHAIRMAN. Well, thank you, Senator Bumpers, for being here today.

We will now hear from Senator Pryor.

OPENING STATEMENT OF HON. DAVID PRYOR, A U.S. SENATOR FROM ARKANSAS

Senator PRYOR. Thank you, Mr. Chairman, Mr. Ranking Member. I, too, am honored to be here today with Melissa to put in a word for her. I have known her for a number of years. We have worked very closely with Melissa in all of our joint endeavors with Senator Bumpers' office and the entire Arkansas delegation.

Senator Moynihan made reference to two former Arkansas Governors. There are three former Arkansas Governors now living in Washington, and all of us are gainfully employed at the moment, I might say. [Laughter.]

Senator PRYOR. But I always, Mr. Chairman, wondered over the past years how Dale Bumpers got so many beautiful stories written about him, and so forth. In delving into this matter, and being very envious, I found that Melissa Skolfield had a lot to do with that.

I think, in retrospect, I look back, seriously, and she had the trust of the media, the trust of the press. I think that she will carry that trust with her, and that characteristic is one of her wonderful characteristics, I think, that make her the person that she is.

We are just honored to be here. I am, and I want to thank Melissa and Senator Bumpers for inviting me. I know that she is going to do a great job for the Department of Health and Human Services.

Thank you.

The CHAIRMAN. Well, I appreciate both of you being here today. You are almost so persuasive that maybe we should not confirm her, but hire her as our Press Secretary.

Senator PRYOR. We need someone like Melissa. Thank you.

The CHAIRMAN. Well, thank you very much. We will proceed with your panel, Ms. Skolfield, at a later time.

Senator BUMPERS. Thank you very much, Mr. Chairman.

The CHAIRMAN. Thank you.

Senator MOYNIHAN. Louisiana.

Senator BREUX. I thought I would just establish that she really is from Louisiana. [Laughter.]

The CHAIRMAN. Senator Breux, I apologize.

Senator BREUX. I, as well, think she has been doing a terrific job, for obvious reasons. Some people may say she made Dale Bumpers look great. [Laughter.]

Senator BREUX. But she is terrific, and I just wanted to add my congratulations to the nomination.

The CHAIRMAN. Thank you, Senator Breux.

I think our distinguished Ranking Member would like to introduce our first panel, actually, an individual who really needs no introduction. For that reason, I will delegate the responsibility to Senator Moynihan. [Laughter.]

OPENING STATEMENT OF HON. DANIEL PATRICK MOYNIHAN, A U.S. SENATOR FROM NEW YORK

Senator MOYNIHAN. Mr. Chairman, you are most generous to allow me this very special moment in my time in the United States Senate, more than half of which has been associated with this extraordinary person, this exceptional attorney, and this rare and special friend, Joe Gale.

He came to our office in 1985, just in time for the Tax Reform Act of 1986, in which he was closely involved with Senator Chafee and Senator Bradley, who had brought this subject to that point. He has been part of every single moment, every piece of tax legislation through this committee and the Congress for the past 11 years.

He is a graduate of Princeton and of the Virginia Law School. He has worked, in the first instance, as a member of our staff, and then in the 103rd Congress he was Chief Tax Counsel to the Committee on Finance and crafted that extraordinary legislation, the Omnibus Budget Reconciliation Act of 1993.

It will come as no surprise to members of this Committee that The American Bar Association has given Mr. Gale its highest rating for a judicial nominee: "Well qualified."

I, perhaps, can best tell you the judgment in which he is held by persons who are concerned with such matters, the tax bar and the business world. Several years ago, I was giving an address to a group here in Washington of business men from around the country on tax reform. I set out to be informative, detailed, and judicious, and all those things you would hope to see in a member of this committee. And, having concluded my discourse, the chief executive officer of a major American corporation raised his hand and asked hopefully, can you get me an appointment with Joe Gale? [Laughter.]

Senator MOYNIHAN. With that, I successfully conclude the morning.

May I just say, finally, sir, that we have the honor to have in the audience today Judge Lapsley Hamblen, who is the Chief Judge of the Tax Court, and also a former associate of ours in the Finance Committee, Judge John O. Colvin, who was Chief Tax Counsel to your predecessor as Chairman. I am sure you welcome them, and I thank you for this privilege, sir.

The CHAIRMAN. It is, indeed, a great honor to have the two judges here. I know this is a very proud moment, and should be, for you, Mr. Gale. I suspect you may have members of the family here, whom we would be happy to have you introduce at this time.

Mr. GALE. Thank you, Mr. Chairman. I am fortunate to have several members of my family here today. My father, Robert Gale.

The CHAIRMAN. Would you please stand? It is a pleasure to have you here.

Mr. GALE. My mother, Charlotte Gale.

The CHAIRMAN. Mrs. Gale.

Mr. GALE. My nephew, Brian Gale.

The CHAIRMAN. Brian.

Mr. GALE. Unfortunately, Brian's father, my brother, Hutter, was unable to make it today, and his wife, Robin. But we hope to see them in the future at the swearing in.

My sister-in-law, Nancy Gale.

The CHAIRMAN. Nancy, welcome.

Mr. GALE. And my brother, Chuck Gale.

The CHAIRMAN. Chuck.

Mr. GALE. At this time, unless there is some comment that some other members of the panel want to make, we will call on you for any statement you care to make.

Mr. GALE. Thank you.

Senator CHAFEE. Mr. Chairman.

The CHAIRMAN. Senator Chafee.

OPENING STATEMENT OF HON. JOHN H. CHAFEE, A U.S. SENATOR FROM RHODE ISLAND

Senator CHAFEE. All Mr. Gale can do is to go downhill, because he has tremendous approval of everybody on this bench, I am sure. We have worked with Joe Gale over the years, as Senator Moynihan mentioned, for example during the 1986 Tax Reform Act.

I talked with my staff about their relationship with Mr. Gale and they said he could not have been better in any respect, professionalism, courtesy and going out of his way to be helpful, and has

just been absolutely a superb person to work with, so I do not know what he can say to improve his situation.

The CHAIRMAN. Thank you. I think I join you in those remarks.

Joe, would you please make any comments that you want to make at this time? I might say, you may be leaving at the wrong time because we may be having more tax reform in the near future. [Laughter.]

Mr. GALE. Well, I think it is an organic process. It may never stop.

STATEMENT OF JOSEPH H. GALE, TO BE A JUDGE ON THE U.S. TAX COURT FOR A TERM OF FIFTEEN YEARS

Mr. GALE. Mr. Chairman, Senator Moynihan, and members of the committee, let me, first, take this opportunity to thank you for scheduling this hearing, and the other members for being present.

In my current position on the committee staff, I understand only too well the extraordinary demands on your time right now, and I am very gratified and deeply appreciate your scheduling this hearing in the midst of that.

I am deeply honored to have been nominated by the President to serve as a Judge on the United States Tax Court. I want to take this opportunity to thank the President, as well as Secretary for the Treasury Rubin and members of the nominating committee at the Treasury and the IRS.

I would also like to thank the Assistant Secretary of the Treasury for Legislative Affairs, Linda Robertson, for her tireless efforts in shepherding my nomination through the very lengthy process that has led up to today's hearing.

I am also very honored to have in the audience today, as has already been mentioned, the Chief Judge of the United States Tax Court, Lapsley W. Hamblen, Jr., who encouraged me some time ago to think about the Court, and who has been very generous with me with his time and advice over the past several months.

Also, Judge John Colvin, who, like me, served as Chief Counsel for this committee under Senator Packwood, has been a great source of inspiration and encouragement and I am happy he is here today.

I am also delighted that the Clerk of the Tax Court, Mr. Charles S. Cassazza, is also in the audience. Mr. Cassazza is well-known to many members and staff of this committee and has already been invaluable to me in offering suggestions and insights into how one makes the transition to assuming a Judgeship at the Court.

I would also like to thank my parents, Bob and Charlotte Gale, for their support over the years, both literal and spiritual, and the other members of my family here today who have always been an anchor for me.

Finally, I want to express my profound gratitude to Senator Moynihan for his support of my nomination, but, more importantly, for giving me the privilege and opportunity over the past 11 years to serve on his staff and the staff of the Committee on Finance, which is an experience that has been the highlight of my professional career.

I am reminded of the day 11 years ago, also in November, when I came to the Russell Senate Office Building for a job interview with Senator Moynihan to be his Tax Legislative Counsel.

As luck would have it, this was also the very same day that the Reagan Treasury Department released its long-awaited proposal for fundamental tax reform, which was the starting point for what ultimately became the Tax Reform Act of 1986.

I had scrambled that morning to get what information on the proposal I could, and I made a valiant effort to absorb some of it on the way over in the cab. In the interview, Senator Moynihan asked the question that I had been worried about. "Well, Joe, what do you think about Treasury's tax reform proposal?" I thought for a moment, trying to come up with something intelligent to say, and, unfortunately, my faculties failed me.

I finally said, Senator, the truth is, I haven't actually had time to read it yet. I was sure I had blown my chances of Congressional staff employment, but, alas, I got the job. It turns out I gave the right answer, which is to admit what you do not know and not try to fake it.

What I have learned from Senator Moynihan over the last decade is difficult to sum up, but I think, principally, it has been to learn about government in its broadest sense, that government can, indeed, be a force for the good and can help solve real problems, but that it is equally important to recognize the limitations of government.

Government has only a limited capacity to affect the cultural fabric of the society in which it finds itself, and so it must approach its task with a certain humility, being careful to nurture what is good in a society and mindful that government efforts to solve problems can sometimes do more harm than good.

Whether it is the tax system or any other facet of government, you should, first, get the facts, find out what we really know about a problem, and then try to approach it without ideological preconceptions. It has been a rare privilege to work so closely with Senator Moynihan, a genuine master who has been engaged in government since the Kennedy Administration.

Should I be confirmed, I will be proud to join the ranks of many distinguished Moynihan alumni: Tim Russert, Mike McCurry, Rob Shapiro, Robert Peck, and many others. My gratitude to Senator Moynihan for the privilege of working for him is deep; I will always cherish it.

I will also miss this committee. The Finance Committee is the finest committee in the Senate, with the heaviest and most difficult work load. I continue to be impressed with the degree of diligence and good faith effort that goes into this committee's deliberations. It also has the best staff, both the committee staff and the staff of the individual members, and I have learned incalculable amounts from them over the years.

Every staff person I have known who has left this committee says, in retrospect, the years up here were among their best years, and I am certain that I will agree with that.

Should this committee and the full Senate see fit to confirm my appointment to the Tax Court, I will, of course, be shifting my perspective away from advising in policy decisions and undertaking,

instead, to correctly interpreting the intent of Congress in the tax statutes.

The United States Tax Court, which handles about 90% of tax litigation that is brought in this country, is the principal means through which we try to achieve uniform, consistent application of the tax laws throughout the country.

To achieve that goal the Court has nationwide jurisdiction, and its 19 judges, in addition to hearing cases at the headquarters in Washington, D.C., also ride circuit in the old sense of the phrase and hear cases in over 70 cities around the country.

Although taxpayers who wish to litigate their tax liabilities may also bring suit in a regular Federal District Court or the U.S. Court of Claims, to do so they must, first, pay the disputed taxes and sue for a refund. The Tax Court, by contrast, allows taxpayers to get a judicial determination of their liabilities before paying. This feature no doubt steers the bulk of the litigation to that court.

Mr. Chairman, if I am confirmed I would hope to bring to the Court a very solid understanding of the Congressional intent that underlies our tax laws. The role of judges in our three-branch system is to interpret and apply the law as Congress intended, not to make policy.

It is my hope that my legislative experience will prove valuable in the Court's deliberations and that I can make a contribution to applying the tax laws in this country in a way that is fair, both in perception and in reality.

I thank the committee for its consideration of my nomination.

The CHAIRMAN. Well, thank you, Joe, for a very thoughtful statement. Just let me say that I can think of no position more important than the one you will be taking over. The fact is, the American people are not satisfied with our tax laws. There is a sense that there is no fairness, or there is an inability to understand the complexity of them. So, there is no question but that you can do a great deal, I think, to help remove those concerns.

I have three standard questions which I would like to ask you, and then we will turn it to Mr. Moynihan.

Is there anything you are aware of in your background which might present a conflict of interest of the duties of the office to which you have been nominated?

Mr. GALE. No, Mr. Chairman. As I mentioned in my questionnaire, there are, of course, theoretical possibilities that could arise in the fact that I do own stock in certain corporations, but there are rules, both judicial rules, generally, and Tax Court rules, specifically, which provide for those circumstances. I would certainly take whatever steps are necessary and appropriate, including recusal, to address any potential conflicts.

The CHAIRMAN. Do you know of any reason, personal or otherwise, that would in any way prevent you from fully and honorably discharging the responsibilities to the office to which you have been nominated?

Mr. GALE. No, sir.

The CHAIRMAN. Do you agree, without reservations, to respond to any reasonable summons to appear and testify before any duly-constituted committee of Congress, if you are confirmed?

Mr. GALE. Yes, I do.

The CHAIRMAN. Those are all the questions I have.

Senator Moynihan?

Senator MOYNIHAN. Mr. Chairman, I would like to thank Mr. Gale for his very moving comments. They are as important to me as anything I have heard in this committee. I wish you great success, sir.

Mr. GALE. Thank you.

The CHAIRMAN. Senator Breaux.

Senator BREAUX. Mr. Chairman, I would just like to add my words of congratulations and strong support for Joe's new career. I think it is certainly our committee's loss, but the Tax Court's gain.

I think that at a time when anyone on this committee on the professional staff could probably leave the committee and make substantially more money in the private sector. Please, don't everybody leave. [Laughter.]

Senator BREAUX. I think it is very encouraging to see some of our professionals who still believe in public service and want to continue serving the national interest through his service on the Court. That is very admirable, and I congratulate him for it. Thank you.

The CHAIRMAN. Senator Pryor.

Senator PRYOR. Thank you, Mr. Chairman. Joe, I want to thank Senator Moynihan for giving you that job because, had he not, perhaps we would have not had the opportunity to have known this splendid individual.

Every time I walk through that back room headed for this beautiful hearing room I will always associate that back room somehow or another with Joe Gale, because when I walk through there he was usually giving one of us some kind of counsel, sharing his wisdom, giving of his time. He was on the telephone, always with a sheath of papers and complicated material that he was trying to digest in a short period of time to make available to us so that we could understand it better.

But a word to Joe Gale's parents, if I might. Of all of the hundreds of staff people, thousands perhaps, that we have known and worked with over these years, I do not know of a one that has the depth of admiration that your son has.

So, we thank you, Joe, and we look forward to your continued service.

Mr. GALE. Thank you.

The CHAIRMAN. I think those are all the questions we have. [Laughter.]

Senator PRYOR. You had better leave now.

Mr. GALE. I think I will. [Laughter.]

The CHAIRMAN. I think the only person that got through easier was Lloyd Bentsen. [Laughter.]

The CHAIRMAN. Joe, I want to congratulate you and wish you every success and happiness. Thank you for being here today.

Mr. GALE. Thank you, Mr. Chairman. Thank you, members of the committee.

Senator CHAFEE. Mr. Chairman, I guess while the next panel is being seated, as far as Lloyd Bentsen goes, as I recall we confirmed him and then had the hearing, did we not? [Laughter.]

The CHAIRMAN. Are you suggesting?

I would now ask the second panel to please take their places.

Our first nominee on the second panel is Darcy E. Bradbury, to be an Assistant Secretary of Treasury for Financial Markets. Ms. Bradbury's new role will include one of great interest to this committee, debt management.

I will have some questions for you on recent Treasury actions concerning the debt limit. Let me say, however, that these actions regarding the debt limit are of great concern to the members of this committee.

While those responsible for those actions are the Treasury Secretary and, of course, ultimately the President, I would hope that you would take a moment to recognize that I will do my best to protect the trust funds under the jurisdiction of this committee.

Should the Social Security Trust Funds, for example, ever be put at risk of disinvestment, I will be there to use all the powers of the committee to protect these funds for their intended uses which are, of course, to make payments to the beneficiaries. I trust you share this concern and will work with me, and I look forward to your statement.

Senator Moynihan?

Senator MOYNIHAN. Just exactly that, sir.

The CHAIRMAN. Thank you.

At this time, we will proceed with your statement.

STATEMENT OF DARCY E. BRADBURY, TO BE AN ASSISTANT SECRETARY OF TREASURY FOR FINANCIAL MARKETS

Ms. BRADBURY. Thank you, Chairman Roth and Senator Moynihan, from my home State of New York, and members of the committee. I am pleased to appear before you today as you consider my nomination to the position of Assistant Secretary of the Treasury for Financial Markets.

I am honored to be nominated by President Clinton, and I want to thank Secretary Rubin for supporting my nomination. My husband, Eric Seiler, and my oldest son, Brad, are here from New York today to watch.

The CHAIRMAN. Could I just interrupt and welcome both of them, including your young son. It is a pleasure to have them here. Mighty good looking young man.

Ms. BRADBURY. He is doing his best to hold still, Senator.

The CHAIRMAN. We all are. [Laughter.]

Ms. BRADBURY. In the past 2 years, the heart of my job at the Treasury has been management of the public debt. The focus of Treasury debt management is, and must always be, what is in the best long-term interests of the taxpayers.

The promotion of efficient liquid and fair capital markets is essential to carrying out that mission. Direct participation in the financial markets gives Treasury a unique perspective from which to make public policy concerning those markets.

The broader scope of my new position to advise the Secretary on matters concerning the financial markets will still have that foundation, and I hope that will give my counsel a real-world perspective.

I also believe that Treasury has a special duty to highlight the connections between Main Street and Wall Street. The savings of average Americans invested in companies' stocks or in cities' bonds has not only benefited those savers, but it has built our economy.

Treasury can and must support the vibrant financial markets which are the foundation of our country's growth and prosperity. Our financial markets are a source of competitive strength in the global economy and they must continue to improve and innovate to support us into the next century.

I would be happy to answer any questions that the committee might have.

[Mr. Bradbury's prepared statement appears in the appendix.]

The CHAIRMAN. Let me start out, if I may, Ms. Bradbury, by the three standard questions that I will ask each of the people who appear today.

Is there anything you are aware of in your background which might present a conflict of interest with the duties of the office to which you have been nominated?

Ms. BRADBURY. No, sir.

The CHAIRMAN. Do you know of any reason, personal or otherwise, that would in any way prevent you from fully and honorably discharging the responsibilities to the office to which you have been nominated?

Ms. BRADBURY. No, sir.

The CHAIRMAN. And do you agree, without reservation, to respond to any reasonable summons to appear and testify before any duly-constituted committee of Congress, if you are confirmed?

Ms. BRADBURY. Yes, sir.

The CHAIRMAN. In mid-November, the Treasury identified two separate accounts that would be liquidated to avoid default. About \$21.5 billion of the Thrift Saving Fund had the option of being cashed, along with about \$39.8 billion of the Civil Service Retirement Fund.

Why did Treasury try to spook the markets with the specter of default when it knew it had available the option all along? If next month you really need Congressional authority, why should Congress believe the Treasury?

Ms. BRADBURY. Well, Mr. Chairman, the Secretary began writing to Congress about the debt limit last July, indicating that we expected, based on our forecasts, to hit the debt limit around late October.

And, as we neared that date, we continued to communicate with Congress, whether through letters or meetings with you, sir, and staff of the relevant committees, to try to indicate the sort of extraordinary actions that might be necessary if we were unable to get a clean debt limit bill.

The two funds that you mentioned, the so called G-Fund of the Federal Employees' Retirement System and the Civil Service Retirement Fund both have special authorization that was delegated to the Secretary of the Treasury by Congress almost 10 years ago, signed into law by President Reagan. They were specifically designed to provide debt management capacity to the Treasury when we were really nearing default and nearing a very difficult situation.

The Secretary believed that it was possible, perhaps until the last moment, that we, in fact, might get a debt limit extension and the determination that he had to make in order to enable the disinvestment in part of those funds, depended very much on the facts that were available or that existed at the time of that determination. He, in fact, did not make that determination until the night before the disinvestments were authorized.

The two funds in question are designed to protect the beneficiaries. There is an automatic restoration of interest written into the laws if this sort of action was ever deemed necessary.

The Secretary stated he felt the actions were necessary to avoid default. We will try to continue to communicate with the committee and other members of Congress about these issues as we move forward.

I might just add that President Clinton, as well as Secretary Bentsen and the Commissioner of the Social Security Administration, have really emphasized their commitment to not using the Social Security fund, in particular, which you mentioned, sir, for anything other than ensuring benefits of Social Security recipients.

The CHAIRMAN. Does Treasury have any plans for further disinvestment to avoid default, and if so, what do they entail?

Ms. BRADBURY. To the best of my knowledge, the Secretary has not made any additional decisions or decided on any final actions. The actions that he took on November 15th, we believe, based on our forecasts, should be sufficient to take us until late December.

If we get to that point without an increase in the debt limit, then there are other measures that the Secretary has said that may be available. We would be sure to consult with this committee and other members of Congress before taking any such actions.

The CHAIRMAN. Now, I understand through newspaper reports that the Department of Labor has recently been investigating the integrity of 401(k) plans in the private sector. This investigation has apparently exposed a number of instances where 401(k) plans have been raided by employers for any number of reasons. Such a practice is, of course, illegal and I think the administration is right to find it out and stop it.

My question is, do you think that the Treasury Department's raiding of Federal Employees' Retirement Trust Funds in order to avoid signing the debt ceiling recently sent by Congress, is at all inconsistent with this enforcement effort? It seems, in a way, that it is another example where the government has one set of rules for the private sector but another for itself. Would you comment?

Ms. BRADBURY. Thank you. Mr. Chairman, I would agree that protection of private pension savings is a pretty critical issue. Obviously, the Labor Department's efforts in that area are to be applauded.

I would draw a couple of distinctions, and important ones, I think, between those sorts of nefarious activities and the statutorily-authorized actions that the Treasury took. The first, is that in fact we are specifically authorized under these statutes to take the sort of actions that we took in order to prevent the default if there is a debt limit impasse.

The second, is that the beneficiaries of the funds are not threatened in any way by the actions we took. The principal, the corpus,

if you will, of the funds is intact, a portion of it is currently not invested.

But the third issue, is that that investment and the loss of interest income which may be occurring now is automatically to be restored when the debt limit impasse ends. We are required to do that under the statute. We calculate that every day and we will obviously do that as soon as we can.

So, I think those issues do distinguish the two situations.

The CHAIRMAN. That does, in a sense, however, bring me back to my earlier question as to, if you had that authority, why was that not made clear to the Congress at an earlier date?

Senator MOYNIHAN. I think Senator Bradley was first.

The CHAIRMAN. Senator Bradley. I apologize.

Senator BRADLEY. Mr. Chairman, mechanically speaking, I simply wanted to be here today to hear the testimony of these three witnesses and strongly support their confirmation. I think the answer to the last question indicates a level of competence and understanding, frankly, that is really quite helpful for us because we constantly get our wires crossed. I think that is an excellent answer.

But I wanted to be here, especially, as well, to pay tribute to Joe Gale, who I understand has already been confirmed and now has a 15-year term, and here I am, and here you are, and all of us only have 6-year terms. So maybe he knows something we do not. But I simply wanted to salute his service to this committee and to the people of New York and to the people of the country.

I think it has been an extraordinary run and he has performed, I think, with great ability, great personal dedication, a good spirit, trustworthiness, and he is a quality person that we will miss greatly. I just wanted to say that on the record to him. I know that Senator Moynihan has probably said it more eloquently than I, but at least I wanted to have my voice right there behind his.

The CHAIRMAN. Thank you, Senator Bradley. We appreciate your coming down for this reason.

Senator Moynihan.

Senator MOYNIHAN. Mr. Chairman, I would share with Senator Bradley the thought that we heard a good and clarifying answer to your perfectly legitimate questions, and I will not take the committee's time at this point. But we probably ought to be thinking a little more systematically than we have done. I believe the Federal Government has run out of funds eight times in the last 15 years, having never previously done. Debt management has been politicized on both sides, in both parties, in four administrations, leaving Treasury officials with lots of difficult duties they would just as soon not have.

But, congratulations.

The CHAIRMAN. Thank you, Senator Moynihan.

Senator Chafee?

Senator CHAFEE. Mr. Chairman, I would just like to digress for one moment, if I might, to alert the committee to a problem that I think has arisen. In this Lobbying Disclosure Act that has already passed the House, now passed the Senate, and is going to the President and undoubtedly will be signed, there are certain provisions dealing with the USTR. The provisions ban an individual nominated to be USTR or Deputy USTR from ever having rep-

resented any foreign interest in dealing with the United States in trade disputes, and also bans individuals, upon leaving the position of USTR or Deputy USTR, from ever representing nations other than the United States in a trade matter. I just think a provision like that is going to cut off our ability to attract good people to those positions. I have not gone into great detail on the exact specifics of the provisions, but I am just pointing out some of the problems that I envision are going to arise.

This has nothing to do with Ms. Bradbury; she is innocent in that matter. But I think these provisions are draconian, and I think it is going to come back to haunt us at some time. I would just like to plant the seed amongst members of this committee who have always been thoughtful on these matters, and suggest that it behooves us to look into this issue and give some thought to trying to untangle this thing for the future.

The CHAIRMAN. I share that concern expressed by Senator Chafee. I fear there are a number of things that we have done that fall in that same category.

Senator CHAFEE. Well, there is a head of steam built up on this one. I understand that yesterday in the House there was an amendment that just barely failed that would have extended the restrictions to the I.T.C. and the Secretary of Commerce. That amendment failed 204 to 221. And I think it failed, not because of its content, but because they did not want to adopt amendments that would delay the bill by sending it back to the Senate. Again, this issue is extraneous to this hearing today, but the whole thing disturbed me greatly.

Ms. Bradbury, back to you. I find the idea of default of our obligations in this Nation absolutely unthinkable. So what the Secretary did, I think, was what he had to do, and, indeed, it was not the first time it has been done. We have borrowed from these funds before, as I understand it; is that correct?

Ms. BRADBURY. Yes, sir.

Senator CHAFEE. I really have some question as to why we have this statutory debt limit to start with. I mean, we go through this perils of Pauline, certainly several times since I have been here, particularly when you have the Congress being of a different Party than the President, either way—we have seen it the other way plenty of times—it is not one Party that has been guiltless in this matter of sending loaded debt ceiling increases up with extraneous matters on them, figuring they would put the President in a jam and he has got to sign it.

So what do you think if we got rid of the debt limit ceiling?

Ms. BRADBURY. Well, boy; it sure would make my job easier, but it is probably not your primary concern as you look at these kind of critical issues. The CBO put out a very interesting report this summer where they looked at the issues and they used the term, calling it an anachronism, which was interesting.

The Secretary has tried to draw the distinction in the debate that we have been having over the last several months, that the debt limit really has nothing to do with the deficit or with balancing the budget, and that the debt limit is really almost a technical delegation of authority from the Congress to the Treasury, and it enables us to do the financing that we need to do to pay for

programs that were authorized 20 years ago, 10 years ago, last year.

It is not really very much about the future and the important issues that you gentlemen are struggling with now about how to balance the budget and how to bring the deficit down.

So, I do not know that we have a clear proposal about what we would suggest at this time in the administration, but I think it is fair to make the point that the debt limit does complicate debt management, it requires us and has required many of my predecessors to veer from our orderly financing programs, and because of that it obviously entails cost to the taxpayers. So anything that you all could do to try to smooth our ability to manage the public debt, I think, would be of a real great benefit.

Senator CHAFEE. Well, I agree with everything you have said. I mean, what the debt ceiling is, is a question of, are you going to pay the bills that you have incurred, or are you not? It has nothing to do with holding down expenditures because these are, as you say, expenditures we have made or we have committed to.

So, Mr. Chairman, regrettably, I have to go. I want to thank you for holding this hearing. I want to commend the young children I see in the audience. This is not the most gripping experience they have every had in their lives, and I think they have been very, very patient, all of them, although I see your son yawning, and justifiably so, probably. [Laughter.]

Senator CHAFEE. Thank you, Mr. Chairman.

Senator MOYNIHAN. Mr. Chairman, before Senator Chafee leaves, could I just make the point that we may have had a useful exchange here about this subject. The CBO did, in fact, call this matter an anachronism this summer.

It made the point that, while the debt ceiling may have been an effective device for controlling spending when there were annual appropriations, we are reaching the point where only about one-quarter of Federal outlays are discretionary and the others are mandatory. The debt ceiling, in that context, just does not help you at all.

Senator CHAFEE. Thank you.

The CHAIRMAN. Just for purposes of clarification, it is my understanding that on previous occasions in the 1980's when they drew these trust funds, they were disinvested only to pay benefits to its beneficiaries. Is that correct?

Ms. BRADBURY. It is my impression that the G-fund, the one that we mentioned, some people call it the Thrift Savings Plan, has been disinvested in the past. Essentially, the securities in that fund mature every single day and new securities are issued. So when you are actually at the debt limit and you cannot sell securities, in the past Treasury has not been able to sell the full amount of securities that would have fully invested that fund.

The statutory authority that I referred to earlier was given to the Treasury, I think in one case in 1986, and the other in 1987, so prior to that time there would not have been any of this sort of disinvestment that I have described this morning. Certainly this committee, and I know Senator Moynihan is aware, is aware of some disinvestment related to the Social Security Fund that occurred—

Senator MOYNIHAN. Don't brave that now.

Ms. BRADBURY. Please, really. I gather my predecessor received death threats at the time, and his grandma was really upset, too. So, it is not something that the Treasury Department is contemplating at all. The trust funds are there for the purpose of paying benefits to the beneficiaries, except where Congress has specifically provided us with debt limit management authority.

The CHAIRMAN. Well, thank you for being here today.

It is now my pleasure to turn to Mr. Jeffrey Shafer. Mr. Shafer is being nominated for the Under Secretary of the Treasury for International Affairs. It is a pleasure to welcome you, and I invite you to introduce any members of your family if there are any here today.

STATEMENT OF JEFFREY R. SHAFER, TO BE AN UNDER SECRETARY OF TREASURY FOR INTERNATIONAL AFFAIRS

Mr. SHAFER. Thank you, Mr. Chairman, and Senators. I would like to introduce my wife, MaryLou, who is sitting over here.

The CHAIRMAN. Welcome.

Mr. SHAFER. I also have two daughters, of whom I am very proud. Neither of them could be here today because one is engaged in her studies as a first-year student at the Harvard Business School, Lara, and my younger daughter, Karen, is in her last year as an undergraduate chemistry major at Princeton. So they are very busy with their own activities, but I am very proud of them.

Mr. Chairman, I am honored to be here today as President Clinton's nominee to be Under Secretary of the Treasury for International Affairs. If confirmed, I look forward to continuing a career in public service which began with a military tour in Vietnam, and subsequently included years of service with the Federal Reserve system and the Organization for Economic Cooperation and Development.

For the past two and a half years, I have served as Assistant Secretary of the Treasury for International Affairs and I have had the privilege of working closely with former Secretary Bentsen, your former Chairman, and Secretary Rubin, on a wide range of international economic issues.

A few weeks ago at the annual meeting of the World Bank and the International Monetary Fund, President Clinton commented that interdependence among nations has grown so deep that, literally, it is now meaningless to speak of a sharp dividing line between foreign and domestic policy. That is why we put a strong emphasis both on strengthening our economy at home and on securing economic opportunities abroad.

Over the past two and a half years we made great strides on both fronts and, if confirmed as Under Secretary, I look forward to working closely with this Congress and with Secretary Rubin to continue our progress. The Under Secretary of the Treasury for International Affairs is charged with managing a wide array of issues that help promote the economic and financial well-being of the United States.

If confirmed, some of the areas that will be priorities for me include building on the progress we have made through cooperation in the G-7 to strength global demand, implementing the reforms

agreed upon at the Halifax Summit last summer, to strengthen the capacity of the international monetary system to cope with financial instability.

I would like to continue supporting the integration of transition economies of Central Europe and the former Soviet Union into the world economy, encouraging market-based sustainable development through U.S. participation in the multi-lateral development banks, and sustaining efforts to open foreign markets to U.S. goods and services.

I would like, if I may, to take a minute to expand on this last point because it is a high priority for Treasury. That is, the promotion of open and integrated financial markets.

We have been working towards the goal of open financial markets on a number of tracks, including the Summit of the Americas, APEC, bilateral negotiations with countries like Japan, and the World Trade Organization. As you know, we joined in a multilateral agreement on financial services under the auspices of the World Trade Organization last July.

This agreement is a good one for American firms. It locks in our access to the most important markets today and lays a base of commitments from others. But too many countries maintained important limitations on market access, and for this reason we reserved the option of granting future access to our markets on a reciprocal basis.

We will continue to press for liberalization and we will prepare to engage in new negotiations scheduled for 1997 because our objective is to expand opportunities for our highly-competitive financial services firms.

Mr. Chairman, let me reiterate that I am deeply honored to have been nominated for this position and that, if confirmed, I will work conscientiously for the American people to achieve the goals that I have set out here today. I want to stress that I am committed to working closely with you in this endeavor.

The CHAIRMAN. Thank you, Mr. Shafer. Let me start out by asking you the three standard questions.

Is there anything you are aware of in your background which might present a conflict of interest with the duties of the office to which you have been nominated?

Mr. SHAFER. No, Mr. Chairman, there is not.

The CHAIRMAN. Do you know of any reason, personal or otherwise, that would in any way prevent you from fully and honorably discharging the responsibilities of the office to which you have been nominated?

Mr. SHAFER. No, sir.

The CHAIRMAN. Do you agree, without reservation, to respond to any reasonable summons to appear and testify before any duly-constituted committee of Congress, if you are confirmed?

Mr. SHAFER. Yes, sir.

The CHAIRMAN. Let me ask you, Mr. Shafer. As a result of the peso crisis, Mexico continues to face severe financial difficulties that also have affected our trading relationship. Can you give us an update on the situation in Mexico and your prognosis?

Mr. SHAFER. Mexico has made substantial progress in stabilizing its financial situation since it went into deep crisis last December. It has done so with the support of the U.S. and the international community through the International Monetary Fund. It has returned to the international financial markets.

Although Mexico has moved into a very deep recession and it has been a very difficult adjustment, there are signs that its economy is beginning to pick up. Employment has resumed growth in Mexico over the last several months, industrial production has turned up from its low, and, looked at on a seasonally-adjusted basis, output in the third quarter is up over the second quarter. In fact, U.S. exports to Mexico in our most recently monthly data have turned up.

So, there are substantial improvements, but it is still a very difficult situation. They have a lot of difficult times still ahead. We have certainly seen—it is not uncommon in stabilizations—some shakiness in the financial markets in recent weeks. They have responded by staying with their tough policies and we see signs that this is beginning to calm down the situation.

So there has been a lot of progress, but this is still certainly a very difficult time for our near neighbor and third-largest trading partner.

The CHAIRMAN. I would like to turn to a different area, Argentina. I am very much concerned by the Argentine government's failure to enact laws providing adequate and effective protection of U.S. intellectual property rights, particularly in the area of patents.

In light of this failure, would you advocate within the administration the use of the available trade remedies against Argentina, including revocation of its eligibility for benefits under the General Systems of Preferences?

Mr. SHAFER. This is a very important issue, Mr. Chairman. Intellectual property is one of our most important assets in this country.

The CHAIRMAN. I agree.

Mr. SHAFER. Certainly Argentina has failed to meet commitments that it has made to the United States on two occasions in the past. It is a matter of deep concern and certainly something on which an appropriate response from us, I think, is going to be necessary.

The situation is in flux. In fact, the efforts of the government of Argentina to, I think, deliver on their commitments have been made more difficult by their Congress' refusal to pass the appropriate legislation. Even now, one House of their Congress has gone back on the legislation it passed before. So the situation is in flux and is a matter of great concern, and I certainly would advocate an appropriate response.

The CHAIRMAN. But you are not willing to say what that would be at the present time.

Mr. SHAFER. Well, the response is certainly being looked at very closely at this time.

The CHAIRMAN. I have one more question. I understand that the Japanese Ministry of Finance is in the process of preparing regulations for the implementation of the new insurance law.

I am concerned about reports that the Finance Ministry has not yet achieved deregulation in the primary areas, and yet is proceeding with changes in the third sector, which are inconsistent with the objectives of the U.S.-Japanese Insurance Agreement.

In light of the Treasury Department's close institutional relationship with the Japanese Ministry of Finance, are you concerned about these reports? What steps will Treasury take to help ensure that the U.S. negotiating objectives are actually realized?

Mr. SHAFER. We are quite strong in our conviction that Japan must live up to the agreements that it has made to the U.S. in all areas, and the financial services area is of particular interest to the Treasury.

We are looking into the concerns that have been raised, working very closely with the USTR, and will be fully supportive of the USTR in our administration's efforts to ensure that Japan follows through fully with the commitments that it has made in the insurance agreement.

The CHAIRMAN. Senator Moynihan.

Senator MOYNIHAN. Thank you, Mr. Chairman. I will address these remarks, if I may, to Mr. Lipton as well as Mr. Shafer. On the subject of Mexico, which you raised, nothing very specific in the way of a question, but to say to you that, for my part, at least, I have been increasingly troubled by the seeming incapacity in the Treasury Department to understand that Mexico is not Canada and that they are, as indeed Mr. Shafer said, our near neighbor and our third-largest trading partner.

But they are also an authoritarian state, Marxist in its early orientation, increasingly corrupted in a mode that seems to be a pattern in the latter stages of the disintegration of a Marxist-Leninist state. This was never completely a totalitarian state, but it was very close.

When you try to discuss this matter with Treasury officials, their view has been that that is no look-out of theirs, that we do not deal in the nature of the regimes. We do not think that way, we think markets, and we think this, or we think that.

In consequence of which, we had fantastic ideas about Mr. Salinas. He was going to be head of the World Trade Organization. I mean, I think it is something to do with having gone to Harvard. If any of those people went to Harvard, then everything else was different in our view. How could they not be a good fellow if they had gone to Harvard? Indeed, Mr. Salinas had gone, and did a dissertation under a former colleague of mine.

But that did not make them any less an authoritarian regime. It did not make them any less a regime in which Mr. Salinas' brother would have \$82 million in a Swiss bank account which his wife would be trying to make withdrawals from, make it any less a regime—which is partly our fault, in this case—in which I read in the Times this morning that, "The entire Federal police detachment in the State of Baja, California has been transferred after failing to intercept, and possibly even helping, narcotics traffickers who landed a passenger jet loaded with tons of cocaine on a dry lake bed, the authorities said." I mean, they had the entire Federal police force in lower California transferred. They are not under arrest.

We ended up with a fiscal crisis in which we had to put up—how much did we have to put up, Mr. Shafer?

Mr. SHAFER. We now have loans outstanding to Mexico of \$11.8 billion.

Senator MOYNIHAN. \$11.8 billion. In the aftermath of an election—which was probably stolen, but it does not make any difference, they are always stolen—there has been one Party continuously in power in Mexico since 1928. No other nation on earth can say that. It has been venomous in much of its foreign policy towards the United States. It is clearly in a state of crisis of some kind. Treasury does not seem to know or care, as if it is none of its business.

Can I ask, can we hope that you will take seriously some of the questions that we have put to you in this matter? Obviously you are going to have to say yes.

Mr. SHAFER. Senator, you raise, I think, very important points about the relationship between politics, society, and economics, and certainly we cannot, and I do not think we have, ignored or discounted the context in which economic development of finance takes place in Mexico.

It is a very difficult situation. We see a country that is seeking to make a transition and a transformation, to put behind it—

Senator MOYNIHAN. I constantly hear that. Who says so? Do we know it because they send us little messages from time to time?

Mr. SHAFER. Well, they have said so. It is a very difficult and tough process and—

Senator MOYNIHAN. Well, of course they say so. What do they do? They allowed one state to elect a non-PRI Governor. That is the third such state in 75 years.

Mr. SHAFER. There are other things that have happened, too. I think economic difficulties have made it more difficult to put the time and energy into political reform that is required and it is one reason why I think the economic stabilization is so important.

Senator MOYNIHAN. Well, I will not press it, but I would just ask you to start thinking a little harder. Economic difficulties have distracted energies that otherwise would go to political reform. Economic difficulties are a consequence of the political system.

Mr. SHAFER. I think that is certainly correct, Senator. We certainly have, and will, seek to think hard about this issue. We would be pleased to discuss these issues with you further. I have read your ideas on this that you have put forth.

Senator MOYNIHAN. They are not very developed ideas, it is just the first thoughts that would come to anyone's mind when you see what kind of regime you have there. I mean, I made the point that when Trotsky had to flee the Soviet Union he did not go to Paris, where failed revolutionaries are supposed to go, he went to Mexico City, where his home is still a shrine. I am just saying that that is a mind set. Mexico City is not Ottawa. I will leave it there.

Mr. Chairman, could I raise a question which I have not had a chance to talk with you about and would normally have done? It does arise. In yesterday's Washington Times, there is a story. I am going to have to ask you about it. "IMF Aide to Moscow Paid Ames, CIA Says."

The opening paragraph says, "Russia's intelligence service used International Monetary Fund cash and other Western aid money to pay KGB mole Aldrige Hayes Ames for his last batch of secret documents, according to a classified CIA report." It goes on to describe in great detail, "They're clean," Ames quoted KGB officer Yuri Koretkin, as saying of the bills.

The KGB officer said the cash came from "aid flowing into Russia from the International Monetary Fund and other official sources. IMF gave Russia \$1.5 billion in credits in 1993, and about \$1 billion in 1992. The United States contributed about one-third of all IMF funds."

This is something we cannot just say, oh, well, that is what happens with the IMF, the KGB gets their money. I mean, the United States should not be providing the KGB money to corrupt American intelligence officers.

How are we going to find out about this? What do you do when you pick up the paper and it says, "according to a classified CIA report?" Could you tell us anything about this and could you give us some guidance about what we might learn here?

Mr. SHAFER. At this stage, I cannot tell you very much more than is in that article about that specific allegation, and certainly we will try to find out what basis there is in it. Perhaps David Lipton may be able to tell you a bit about what we do know at this point.

Mr. LIPTON. Yes. First, as you mentioned, the IMF began to make loans to Russia in 1992, which was towards the end, a year and a half before Mr. Ames was apprehended. Money is fungible. It is, of course, possible that, in a sense, by providing Russia with a greater amount of funds it helped them finance activities that we would not approve of.

There are controls over the use of IMF money. It goes to the Central Bank. These accounts are monitored by the IMF. If you look at it in a narrow sense, the international reserves of the Central Bank of Russia are higher than all of the borrowings that they have had from the IMF, so in a sense, all of the money that they have ever borrowed from the IMF is still on hand there at the Central Bank.

Senator MOYNIHAN. Well, I wonder if I could put it this way. The validity of this story is not settled. We do not know that there was such a report. You can find out.

Could I ask you to find out, ask Dr. Deutch?

Mr. SHAFER. Sure.

Senator MOYNIHAN. Give a report to the Senate Select Committee on Intelligence that would be available to members of this committee in the normal course of events.

Mr. SHAFER. We will undertake to do that.

Senator MOYNIHAN. Would you do that, sir? It is something we ought to know about if we can.

Mr. SHAFER. I certainly agree that we need to know, on an appropriately confidential basis, what has happened here.

Senator MOYNIHAN. Thank you very much.

Thank you, Mr. Chairman.

The CHAIRMAN. Senator Breaux.

Senator BREAUX. Thank you, Mr. Chairman. Thank all of our nominees.

Mr. Shafer, I would like to ask you a couple of questions. I know, from your very impressive resume and your long history of public service which has been outstanding, that part of your service is as a member of the Board of Directors of OPIC, the Overseas Private Investment Corporation.

Mr. SHAFER. That is correct.

Senator BREAUX. How long have you been there?

Mr. SHAFER. I have been in that position since I assumed my current duties at Treasury in 1993.

Senator BREAUX. I take it you plan to continue in that capacity in your new position.

Mr. SHAFER. Either I will continue in that capacity or it will be passed to Mr. Lipton, if he is confirmed. That is unsettled at this point.

Senator BREAUX. What I wanted to ask you about are particular actions of OPIC which I find to be very disturbing. And, as a board member that oversees OPIC, I hope that you will be able to respond.

On October 10, 1995 of this year, OPIC sent a letter to Freeport-McMoran, Copper & Gold, which is a Fortune 500 company and one of the largest companies doing business in the State of Louisiana canceling their OPIC insurance of \$100 million, doing business in the country of Indonesia.

OPIC cited they did it because of substantial adverse environmental impacts and denied all further coverage. Towards the end of the letter, OPIC said to Freeport-McMoran, Copper & Gold Company that if you would like to talk to us, you can come in and explain your side of the case, in essence.

I find that a very poor way for an organization like OPIC to do business, in the sense that they notified the company they were being terminated. That letter leaked out into the public, having effects on a public corporation that is publicly traded. Then OPIC says, well, you can come in and tell us your side of the story if you would like to.

Now, can you tell me what you know about that transaction?

Mr. SHAFER. The original loan insurance coverage was granted before I was a member of the board. I do know, from cases that I have seen and the policies of the board, they do reflect legislation which requires OPIC to ensure that the projects it supports do not do major environmental damage. The board has delegated to the management of OPIC the administration of contracts once they are approved. It was a management action that you referred to.

As a member of the board, I was notified that this had been done once, as you said, the matter became public. I understand that the issue is now in arbitration, that it is a contract dispute. It is a question of the terms of the contract and whether they have been complied with or not. I am not in a position to pass judgment about that, but I hope that the arbitration process will lead to a satisfactory outcome on that point.

As to the way it was handled, I would have to go back and review that for myself and I would certainly be happy to work with

you further to ensure that this and future cases are dealt with in an appropriate way.

Senator BREAUX. The Indonesian Ambassador to the United States, Arasans Suregar, has raised a very strong letter of concern about OPIC's actions. He essentially said, if the grounds behind the cancellation were the environment, it would be a slap in the face to Indonesia because they indirectly hint that the country of Indonesia, which regulates these foreign companies doing business in their country, tolerated or condoned activities.

In fact, the President of Indonesia, President Sohartu, personally raised this exact point with President Clinton during a meeting here in Washington on October the 27th. Are you aware of the country of Indonesia since international commerce is under your domain?

Mr. SHAFER. I am aware of the country, and I have visited it several times.

Senator BREAUX. Not of the country, but are you aware of what the Ambassador and what the President have said, and what would our response be?

Mr. SHAFER. Well, as I say, at this point we need to establish the facts, I think, of what has happened with respect to the terms of the contract. That is happening in an arbitration process. I think you have raised the other issue about the way it has been dealt with, which I think I will have to explore.

Senator BREAUX. Of course, OPIC has taken the position, have they not, that the insurance is canceled pending the arbitration?

Mr. SHAFER. They have canceled the insurance. I am not certain, Senator, of its status now that they have entered the arbitration process.

Senator BREAUX. I will tell you that OPIC's position is that it is canceled.

Let me ask you another couple of questions. What contacts or meetings, to your knowledge, took place between OPIC and non-governmental officials prior to the October 27th letter citing this particular issue?

Mr. SHAFER. I would not be in a position to know what contacts, if any, have taken place between the OPIC management and other groups.

Senator BREAUX. As a member of the board of directors which oversees OPIC, are you in a position to find out if any third party contacts were made to OPIC in support of or in argument against the cancellation prior to the OPIC decision.

Mr. SHAFER. I certainly can inquire.

Senator BREAUX. Can you supply that information?

Mr. SHAFER. I can supply any information that I am able to get. I can certainly come back to you with that.

Senator BREAUX. Is there a reason why you, as a board of directors member of OPIC, would not be able to find that information from the group that you oversee as a board member?

Mr. SHAFER. I would think not, but all I can do is promise you to make my best efforts and use all the authority that I have in that effort.

Senator BREAUX. I think it is going to be important, because I do not know that I am going to be able to cast an intelligent vote on your confirmation until we have that information.

Mr. SHAFER. I take note of that, Senator.

Senator BREAUX. A final question. Does OPIC, when they provide insurance to a company doing business in a foreign country, as a policy, require that the laws of the country where the activity is occurring be the laws regulating that activity or do they require that the laws of the United States somehow be superimposed over the resident country?

What I am asking is, does OPIC say that when an American company gets insurance to do business in Indonesia, for example, do the environmental laws of Indonesia apply or do the environmental laws of the United States of America apply?

Mr. SHAFER. OPIC, of course, expects any project that it supports to comply with local laws, but it also has a legislative requirement to assure, by the terms of the contract, that the projects it supports do not do substantial environmental damage. So, that is a contractual term in addition to the expectation that local laws would be followed.

Senator BREAUX. All right. What I would like from you as a board member of OPIC, so we will understand each other, is to find out whether nongovernment officials, i.e., third parties, made contacts prior to the OPIC letter of termination or cancellation of this insurance and if so, who were they?

Mr. SHAFER. I will certainly undertake to do that, Senator.

Senator BREAUX. Thank you.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator BreauX.

I think that is all the questions for you, Mr. Shafer.

Now, Mr. Lipton, it is a pleasure to welcome you. You are a nominee to be Assistant Secretary at Treasury for International Affairs. We look forward to your comments.

STATEMENT OF DAVID LIPTON, TO BE ASSISTANT SECRETARY OF TREASURY FOR INTERNATIONAL AFFAIRS

Mr. LIPTON. Thank you, Mr. Chairman, Senator Moynihan, Senator BreauX. I am honored to be here today in connection with my nomination to be Assistant Secretary for International Affairs of the Treasury. I appear before you today with Jeff Shafer, whose high standard as Assistant Secretary I will emulate if I am confirmed.

I am honored that President Clinton and Secretary Rubin have expressed their confidence in me by nominating me for this important position. I am especially pleased to have my wife, Susan Galbraith, and my daughters, Anna and Sasha, here with me today. My son Gabriel, who is two, wanted very much to be here, but we decided it was in everybody else's best interest that he sit this out at home.

The CHAIRMAN. Would you have your family please stand?

Mr. LIPTON. Yes. My wife and children are here.

The CHAIRMAN. Two very pretty girls.

Senator MOYNIHAN. Those young ladies have been taking pictures. We saw you.

The CHAIRMAN. Welcome. It is very nice to have you here.

Mr. LIPTON. Thank you.

For the past two and a half years, I have served at the Treasury Department as Deputy Assistant Secretary for Eastern Europe and the former Soviet Union. During this time, I have worked to design and implement a policy of U.S. leadership in support of comprehensive market-oriented reform in the economies in transition.

We have engaged the G-7 and the international financial institutions in pursuit of multilateral backing for that historic transformation. If confirmed, I will work to advance Treasury's five major policy priorities: coordinating macroeconomic policy in the G-7; implementing the reforms in the international financial institutions agreed upon at the Halifax Summit; supporting economic transition in Central and Eastern Europe; encouraging sustainable development, including through the multilateral development banks; and continuing efforts to open markets to U.S. goods and services around the world, including in the fast-growing Asian markets. Each of these goals is important to the United States because growth and stability abroad means growth and stability at home.

I look forward to working with Congress and at the Treasury with Secretary Rubin and Jeff Shafer to further these goals.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Mr. Lipton.

Our distinguished colleague from Illinois, please proceed.

Senator MOSELEY-BRAUN. Thank you, Mr. Chairman. As they say at home, just outside of Chicago there is a place called Illinois.

The CHAIRMAN. Very good.

Senator MOSELEY-BRAUN. But I am here to express my strong support for these nominees, and in particular for Mr. Shafer, who is an Illinois native.

Unfortunately, Mr. Chairman, as you are aware, but I would like for him and the other nominees to be aware, I cannot stay. I am, unfortunately, one of the two members of this committee who serve on the Whitewater panel as well, and so we are across the hall doing that and I have to get back to that testimony.

But I did want to stop in to give my proxy and to say that I strongly support these candidates. I think the President has done very well by the country in nominating them.

The CHAIRMAN. Well, thank you. We appreciate your taking the time to be here.

Mr. Lipton, is there anything you are aware of in your background which might present a conflict of interest with the duties of the office to which you have been nominated?

Mr. LIPTON. No, Mr. Chairman.

The CHAIRMAN. Do you know of any reason, personal or otherwise, that would in any way prevent you from fully and honorably discharging the responsibilities of the office to which you have been nominated?

Mr. LIPTON. No, Mr. Chairman.

The CHAIRMAN. Do you agree, without reservation, to respond to any reasonable summons to appear and testify before any duly-constituted committee of Congress, if you are confirmed?

Mr. LIPTON. Yes, sir.

The CHAIRMAN. Mr. Lipton, the financial melt-down in Mexico caught virtually everyone by surprise. What steps are the United States and other countries taking to ensure that they are not caught unaware by similar crises in the future?

Mr. LIPTON. Well, one of the things agreed upon at Halifax, and one of the important steps that the United States has been working towards and promoting, is to improve the international surveillance of countries that might be slipping into difficulties.

There are several aspects of this. One, is that the IMF is developing new disclosure standards so that all countries can make public, on a basis that everyone can understand, information about the management of their macroeconomic policy and about financial developments. Of course, we hope that that will help stave off problems like what happened in Mexico, but there could be liquidity crises and other kinds of problems again.

An important initiative that we have been pursuing is to increase the size of the General Arrangements To Borrow, a facility that the IMF has had for some number of years, so that there is an adequate amount of finance at the IMF to respond if another similar crisis occurs. The United States cannot be the lender of last resort for the world. The International Monetary Fund is supposed to help overcome crises of the kind that happened in Mexico.

We are seeking to increase the size of the General Arrangements To Borrow so that its real level, its size in comparison to the world economy, is restored to what it once was, what it was in the early 1980's, and we are trying to broaden participation in that so that more countries contribute to it and the burden is spread around the countries that do contribute.

The CHAIRMAN. Thank you, Senator Simpson, for being here.

Senator SIMPSON. Yes, yes.

The CHAIRMAN. Earlier this year, the United States decided against signing the WTO Agreement on Trade and Financial Services. Is the United States currently undertaking any initiatives to gain greater access to markets abroad for U.S. providers of financial services?

Mr. LIPTON. Yes. We remain very much engaged in discussing the opening of markets around the world to U.S. companies that engage in financial services. This effort is bringing benefits, and we expect to go further.

I will say that I have not been directly involved in that. Jeff Shafer has been our negotiator on that subject, and if you had more specific questions about the progress that we expect in the coming period, perhaps he would be better suited to answer that than I am.

Mr. SHAFER. I would just add that it has been, and will continue to be, a very high priority for us.

The CHAIRMAN. Well, I would hope so, because it is of critical importance.

Senator Moynihan?

Senator MOYNIHAN. I just want to congratulate Mr. Lipton, and all of our nominees, for the fine record of public service, and to note with pleasure that you have been a Research Fellow at the Woodrow Wilson International Center for Scholars, where you were

working on the political and economic consequences of the transition in Russia and in Poland, which qualifies you all the more.

Thank you, Mr. Chairman.

The CHAIRMAN. Senator Simpson, do you have any questions?

Senator SIMPSON. Mr. Chairman, I was advised that you were working on a rolling quorum, and I thought I would come and get rolled.

The CHAIRMAN. You are about to be.

Senator SIMPSON. I am now going to defer and thank these good people. I have looked at this list of nominees, and the reason I did not present myself earlier is I think they are a remarkable slate. I thank you for helping me commit a rolling quorum.

The CHAIRMAN. Well, thank you for being here, Senator Simpson. I think that completes the questions. Mr. Shafer, as Senator Breaux requested, we will delay action on your confirmation until you have the opportunity to supply the information he requested.

Mr. SHAFER. I will get back to him.

The CHAIRMAN. Then we will take action very promptly thereafter.

Thank you very much. We appreciate your being here today.

We will now turn to the third panel. Our first nominee on this panel is Melissa T. Skolfield, to be an Assistant Secretary of HHS for Public Affairs. Let me welcome you once more, Ms. Skolfield.

Ms. SKOLFIELD. Thank you, Senator.

The CHAIRMAN. In fact, why do we not proceed and permit you to make any comments you have at this time.

STATEMENT OF MELISSA T. SKOLFIELD, TO BE AN ASSISTANT SECRETARY OF HEALTH AND HUMAN SERVICES FOR PUBLIC AFFAIRS

Ms. SKOLFIELD. Thank you, Mr. Chairman.

Before I begin, I would like to express my thanks to Senator Bumpers, Senator Pryor, and Senator Breaux for their gracious remarks earlier this morning.

I would also like to take the opportunity to introduce the members of my family who are here. My husband, Frank Curtis, my sister, Deirdre, and her husband, Tom Patterson.

The CHAIRMAN. Would you please stand? Yes. Thank you. It is a pleasure to have you here today.

Ms. SKOLFIELD. Mr. Chairman, it is truly a privilege to be here today. Having worked in the Senate for six years as Senator Bumpers' Press Secretary, I am honored to appear before this committee as you consider my nomination to be the Assistant Secretary for Public Affairs at the Department of Health and Human Services.

For the last 2 years, as Senator Bumpers mentioned, I have served as Deputy Assistant Secretary for Public Affairs and currently serve as the Acting Assistant Secretary.

In that position, I have advised department officials on public affairs matters, developed communications strategies for department initiatives, and coordinated the activities of public affairs specialists throughout the department. I have also had the opportunity to learn about the wide variety of departmental services and programs that help so many American families.

Prior to joining Senator Bumpers' staff I spent two years in the House of Representatives as a Press Secretary to Congressman Mike Andrews of Texas, while finishing a Master's degree in Public Affairs at George Washington University.

Before moving to Washington, I worked for a public relations firm in Houston, where I obtained my undergraduate degree from Rice University. Altogether, I have more than 15 years of experience in communications and public affairs, most of it gained while working for the U.S. Congress.

If confirmed by the Senate, my goal as Assistant Secretary for Public Affairs is simple: to help inform the American people about the scientific discoveries, preventive health practices, and departmental programs that can help them lead longer and healthier lives.

As you well know, Mr. Chairman, HHS and its many agencies have an extraordinary impact on the lives of America's citizens. While the position to which I have been nominated is not a policy making position, I believe our work to provide women with up-to-date information about breast cancer, to help senior citizens recognize the importance of an annual flu vaccine, and to help young parents understand the risk factors for infant mortality, can have a tremendous impact.

Should this committee act favorably on my nomination, I look forward to continuing to work on issues like these with you and your staff.

Mr. Chairman, this is a serious and inspiring challenge and I am grateful for the opportunity to continue my public service at HHS.

Thank you, and I would be happy to answer any questions.

The CHAIRMAN. Ms. Skolfield, is there anything you are aware of in your background which might present a conflict of interest with the duties of the office to which you have been nominated?

Ms. SKOLFIELD. No, Mr. Chairman.

The CHAIRMAN. Do you know of any reason, personal or otherwise, that would in any way prevent you from fully and honorably discharging the responsibilities of the office to which you have been nominated?

Ms. SKOLFIELD. No, sir.

The CHAIRMAN. And do you agree, without reservation, to respond to any reasonable summons to appear and testify before any duly-constituted committee of Congress, if you are confirmed?

Ms. SKOLFIELD. Yes, sir.

The CHAIRMAN. Senator Moynihan?

Senator MOYNIHAN. I just want to congratulate Ms. Skolfield, and say that I thought your statement about some of your work in this office is very impressive and need not consist solely of passing out the Secretary's speeches. They are good speeches, but there are other things as well. I wish you well in it.

Ms. SKOLFIELD. Thank you. I appreciate that.

The CHAIRMAN. I just hope that you will keep Congressionally-oriented in your new capacity.

Ms. SKOLFIELD. Thank you. I certainly intend to.

The CHAIRMAN. Mr. Williams, you are our final nominee today. You have been nominated to be the Inspector General of the Social Security Administration. You have a solid background in fraud and

abuse as a Secret Service Agent, and in many other agencies of the Federal Government.

Do you have family members here?

Mr. WILLIAMS. I do not, Mr. Chairman. Some health concerns have prevented my family from joining me from out in Illinois.

The CHAIRMAN. I regret that they cannot be here, but I know they wish you well.

Mr. WILLIAMS. Thank you, sir. I am privileged to have a number of friends and former co-workers with me today, and they are providing me with adequate support.

The CHAIRMAN. Well, we look to you for help in not only eliminating waste and fraud within Social Security, but also to evaluate the many programs in order to promote efficiency in the bureaucracy.

Do you have any comments you care to make, Mr. Williams?

Mr. WILLIAMS. I have a statement, if time permits, sir.

The CHAIRMAN. Please proceed.

STATEMENT OF DAVID C. WILLIAMS, TO BE INSPECTOR GENERAL, SOCIAL SECURITY ADMINISTRATION

Mr. WILLIAMS. Thank you, Mr. Chairman, and Senator Moynihan. I appreciate the opportunity to come before you today as the nominee to serve as the Inspector General for the Social Security Administration. The role of the Inspector General for SSA is very important and takes on significant challenges for me. I am both willing and honored to assume this responsibility.

I believe that the 28 years that I have spent conducting and supervising criminal investigations have provided useful preparation for taking on such challenges. Those investigations often involved financial crimes and other frauds perpetrated against the people of the United States and were similar to the violations currently being investigated at the Social Security Administration.

If confirmed for this position, Mr. Chairman, it will not be my first involvement with Social Security or as an Inspector General. In the late 1970's, as a Special Agent for the Secret Service, I worked undercover for a year in Southeast Chicago gathering evidence to arrest and prosecute criminal rings involved in the large-scale theft and forgery of Treasury checks and other financial instruments.

Several of the investigations involved employees of government welfare organizations and postal employees who perpetrated fraud and insider theft schemes. A good deal of that work also involved Social Security and Supplemental Security Income benefit checks. There is special satisfaction for me in bringing to justice people who have stolen from funds that were set aside for the Nation's poor and disabled, and from trust funds of the Nation's elderly.

In related experience, I have served as both a Special Agent-in-Charge in several cities, and as the Director of Operations for the Office of Labor Racketeering at the U.S. Department of Labor.

In that capacity, I conducted and led hundreds of investigations involving union health funds and pension funds that were being raided by organized crime figures, the La Cosa Nostra, and Chinese organized crime groups in New York City.

I grew familiar with a host of criminal schemes for defrauding large, vulnerable funds. I believe that the government's presence in this arena came to serve as an effective deterrent for criminals and for employees who considered stealing from those funds. I believe that kind of tough enforcement program can also have a positive effect in protecting Federal Disability and Pension funds.

If my nomination is confirmed by you, I intend to work hard to institute a strong and effective enforcement program to protect the Federal funds set aside for the disabled Americans and the money that Americans have contributed into the Social Security program.

The other positions I have held include service as a Supervisor and Staff Investigator for the President's Commission on Organized Crime. In that capacity I personally conducted and supervised investigations into various criminal enterprises of La Cosa Nostra and other groups involved in organized crime.

I have also served as the Director of the Office of Special Investigations for the General Accounting Office, during which time I supervised and directed complex, and sometimes classified, assignments for U.S. Senate and House committees.

Most recently, for the last 6 years, I have served as the Inspector General for the Nuclear Regulatory Commission. In that capacity I gained valuable experience in leading the organization's audit efforts to assure that the commission's programs were operated efficiently and effectively, and were free from fraud.

I also worked actively to assist the commission in implementing the Government Performance and Results Act, an initiative begun by you, Chairman Roth, in your previous capacity as the Chairman of the Senate Government Affairs Committee.

To reiterate, the position of Inspector General at SSA carries with it imposing challenges. It is one of the Nation's largest public institutions, with 1,300 offices across the country. As an agency that distributes over \$330 billion in benefits annually, there is a substantial potential to defraud SSA benefit programs.

If confirmed, my job will be to ensure that the SSA manages its programs efficiently and effectively, and to protect the Social Security trust funds from fraud and abuse. This is a job to which I bring all of my experience, my energy, and my commitment to uphold the public trust.

Thank you very much. I would be pleased to respond to any questions that you might have.

The CHAIRMAN. Well, thank you, Mr. Williams. You bring a wealth of experience and background to this position. I do have the three standard questions I want to ask of you.

Is there anything you are aware of in your background which might present a conflict of interest with the duties of the office to which you have been nominated?

Mr. WILLIAMS. Nothing, sir.

The CHAIRMAN. Do you know of any reason, personal or otherwise, that would in any way prevent you from fully and honorably discharging the responsibilities of the office to which you have been nominated?

Mr. WILLIAMS. No, sir.

The CHAIRMAN. Do you agree, without reservation, to respond to any reasonable summons to appear and testify before any duly-constituted committee of Congress, if you are confirmed?

Mr. WILLIAMS. Yes, sir. I would be very pleased to do that.

The CHAIRMAN. Senator Moynihan?

Senator MOYNIHAN. Yes. If I can just take a few extra moments here, Mr. Chairman, to say to Mr. Williams, whom I congratulate on all of the public service you have done and will now do, that this committee, for a good 15 years, has been trying to persuade the Social Security Administration to produce a counterfeit-resistant Social Security card. The culture of that organization will not do it.

It goes back—you would need an anthropologist to really figure this out—to the 1930's, when the Social Security card was first issued. The charge was made that President Roosevelt was issuing an identity card in the manner of Nazi Germany.

That original little pasteboard card legend did say, on the bottom, "Not To Be Used For Purposes of Identification." That hangs on, although it is now used almost universally. Social Security numbers are issued in maternity wards. You were in the Army, I believe.

Mr. WILLIAMS. Yes, sir; I was. I served in Vietnam.

Senator MOYNIHAN. Yes. In Vietnam. I would not be surprised if your dog tag number was your Social Security number.

Mr. WILLIAMS. I was too old for that, but it later was rehabilitated to include that, and within a few years that became the case.

Senator MOYNIHAN. Yes. I mean, it is our identification number for all manner and purposes that have nothing to do with politics, but is just the formal recording of who you are and, in particular, what you pay in to the Social Security fund and what you are entitled to have paid out.

Now, Senator Dole and I have introduced and passed an amendment that was adopted just on the floor, once again, to do this. Now, it is not law yet. It is a part of the welfare legislation that is making its way around.

But you can do it on your own, and there is no law that says you cannot produce a counterfeit-proof/resistant card. I hope you will. I am not asking you to commit yourself, but you would volunteer, perhaps, that this would not be the worst idea.

Mr. WILLIAMS. Having been in the Treasury and having raided a number of counterfeiting operations and seen sheets of Social Security cards as well as currency, I know that anything that makes counterfeiting more expensive and more difficult is a tremendous aid to enforcement. I know that it would help across a broad array of things.

Senator MOYNIHAN. I got the statute passed, first, on an immigration measure. If I can say to the Chairman, with the thought that, particularly persons along the Mexican border, Americans of Mexican descent, having a Social Security card that you have a strip on that could be used by employers to say, yes, my name is Sanchez, but I am an American citizen; I did not buy my Social Security card in Tijuana, and here it is. They are for sale across the border, are they not?

Mr. WILLIAMS. It is my understanding, sir, that there is counterfeiting going on there.

Senator MOYNIHAN. It is your understanding. And you have seen them counterfeited right here in the United States.

Mr. WILLIAMS. Yes, I have.

Senator MOYNIHAN. It would be a protection for American citizens to be able to establish their identification, their identity, as an American citizen, would it not?

Mr. WILLIAMS. It would, and it would help prevent and detect crimes.

Senator MOYNIHAN. Yes. Well, when you go back, when you are confirmed, as you will very shortly be, and you go out to Baltimore—will you be in Baltimore?

Mr. WILLIAMS. Yes, sir. I will.

Senator MOYNIHAN. Yes. Will you just pass the word that the 1930's is over and the people would not mind having a plastic Social Security card that would identify who they are, and all those things?

Mr. WILLIAMS. I will do so, sir. And I will also get abreast of all the other issues. I am certainly aware of its value in prevention and detection.

Senator MOYNIHAN. I appreciate that very much. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

Mr. Williams, as you know, there is sequential reference made of your nomination to Government Affairs. We will go ahead and report you out today.

[Whereupon, at 11:54 a.m., the hearing was concluded.]



APPENDIX

ADDITIONAL MATERIAL SUBMITTED

DEPARTMENT OF THE TREASURY

TREASURY NEWS

OFFICE OF PUBLIC AFFAIRS • 1500 PENNSYLVANIA AVENUE, N.W. • WASHINGTON, D.C. • 20220 • (202) 622-2960

For Release Upon Delivery
Expected about 10 a.m.
November 30, 1995

**STATEMENT OF DARCY BRADBURY
NOMINEE FOR
ASSISTANT SECRETARY FOR FINANCIAL MARKETS
DEPARTMENT OF THE TREASURY
BEFORE THE
SENATE FINANCE COMMITTEE**

Chairman Roth, Senator Moynihan from my home state of New York and members of the committee, I am pleased to appear before you today as you consider my nomination for the position of Assistant Secretary of the Treasury for Financial Markets. I am honored to be nominated by President Clinton, and I want to thank Secretary Rubin for supporting my nomination.

In the past two years the heart of my job at the Treasury has been management of the public debt. This is a function that has existed at Treasury, in one form or another, since the founding of the Republic. In that position I have benefitted from the advice and perspective of both the career staff as well as many who had the job before me over the past 3 decades. The focus of Treasury debt management is, and must always be, what is in the best, long-term interests of the taxpayers. The promotion of efficient, liquid and fair capital markets is essential to carrying out that mission.

That direct participation in the financial markets gives Treasury a unique perspective from which to make public policy concerning these markets. Unlike many other regulators or policy makers, we are in the markets every day feeling the impact of economic conditions, fiscal and monetary policy, and regulatory actions. The broader scope of my new position, to advise the Secretary on matters concerning the financial markets, will still have that foundation. I hope that will give my counsel a real world perspective.

-MORE-

I also believe that Treasury has a special duty to highlight the connections between Main Street and Wall Street. The savings of average Americans invested in companies' stocks or cities' bonds has not only benefitted those savers, but it has built our economy. Whether it's through promoting savings and investment, ensuring adequate information exchange between investors and financial intermediaries, or working to reduce possible sources of systemic risk, we can and must support the vibrant financial markets which are the foundation of our country's growth and prosperity. Our financial markets are a source of competitive strength in the global economy, and they must continue to improve and innovate to support us into the next century.

Finally, I want to thank my family, some of whom are here today: my father for starting my political education by having the whole family watch the political conventions every 4 years gavel to gavel, my Welsh mother, who only recently retired at 73, for making the idea of being a working mother seem like the greatest life, and my husband and 2 sons who remind me every day what's really important.

I would be pleased to answer any questions the committee may have.

**SENATE FINANCE COMMITTEE
OUTLINE OF INFORMATION REQUESTED BY NOMINEES**

Please provide three copies of your typed responses to Kelly Cordes, Chief Clerk, 219 Dirksen Senate Office Building, Washington, D.C. 20510

A. BIOGRAPHICAL:

1. Name: Include any former names used
Darcy Ellen Bradbury
2. Address: List current residence and mailing addresses
4101 Aspen Street, Chevy Chase, Maryland 20815
second home: 1 Irving Place, Apt. G-9E, New York, NY 10003
3. Date and place of birth
March 13, 1957 - Suffern, New York
4. Marital status: Married Include maiden name of wife or husband's name
name: Eric Jonathan Seiler
5. Names and ages of children:
Brad Alex Seiler - Age 7
Benjamin Bradbury Seiler - Age 4
6. Education: List institution(s), dates attended, degree received, and date degree granted.
Harvard/Radcliffe College - 1974-1978
A.B. 1978
Harvard University Graduate School of Business 1980-1982, MBA 1982
7. Employment record: List all positions held since college, including title or description of job, name of employer, location of work, and dates of inclusive employment.
7/93 to present - U.S. Treasury Department - Title: Deputy Assistant Secretary for Federal Finance
1500 Pennsylvania Ave, NW Washington D. C. 20020
1/90 to 7/93 - Comptroller, City of New York - Title: Deputy Comptroller for Finance
1 Centre St. - New York, New York 10007

- 9/89 to 12/89 - Fund for the City of New York - Title: Consultant (NYC Comptroller Transition)
121 Avenue of Americas, New York, New York 10013
- 3/86 to 5/89 - The First Boston Corporation - Title: Vice President/Associate
Park Avenue Plaza, New York, New York 10055
- 8/82 to 3/86 - Kidder Peabody & Co., Inc. - Title: Assistant Vice President/Associate
10 Hanover Square, New York, New York 10005
- 9/81 to 6/82 - Harvard Business School - Title: Part-time Tutor for First Year Students
Soldiers Field Road I, Boston, MA 02163
- 6/81 to 8/81 - Boston Consultant Group - Title: Summer Associate
Exchange Place, Boston, MA 02109
- 7/78 to 8/80 - Massachusetts Dept. of Public Welfare - Title: Budget Analyst
Boston, MA

8. Government experience: List any experience in, or association with, Federal, State or local governments including any advisory, consultative, honorary or part-time services or positions.

7/93 - Present - U.S. Treasury Department - Title: Deputy Assistant Secretary
(Federal Finance)

1/90 to 7/93 - New York City Comptrollers Office - Title: Deputy Comptroller for Finance

Government Finance Officers Association, member of Standing Committee on Debt and Fiscal Policy - 1991-1993

New York City Industrial Development Authority, Board Member, 1990-1993

New York City Banking Commission, Board Member, 1990-1993

New York City Savings Fund Corporation, Board Member, 1992-1993

Massachusetts Department of Public Welfare, Budget Analyst, 1978-1980

In addition from 1982 through 1989, I was an investment banker working with State and local governments. This entailed advising states, counties, cities and local authorities across the country on how to finance infrastructure, education and other governmental capital projects.

During college, as part of funding my education, I had the privilege of interning with the Massachusetts Commission on the Status of Women, the California Department of Health and Welfare, and the U.S. Congress (LBJ Intern).

9. Memberships: List all memberships and offices held in professional, fraternal, scholarly, civic, charitable, and other organizations.

Government Finance Officers Association, member, Standing Committee on Debt and Fiscal

Policy

Municipal Finance Journal, editorial advisor

New York State Government Finance Officers Association

East End Temple

The Village Temple

Harvard Club of New York City

10. Political affiliations and activities:

List all memberships and offices held in or financial contributions and services rendered to all political parties or election committee during the last ten years.

Federal Level Financial Contributions:

1994- Louise Slaughter Re-election Committee - \$100
 1994- Women's Campaign Fund - \$710
 1993 - Clinton for President Committee - \$500
 1993- Democratic National Committee - \$250
 1992 - Committee to Elect Nydia M. Velazquez - \$250
 1992 - Liz Holtzman for Senate - \$1,000
 1990 - Louise Slaughter Re-Election Comm. - \$500
 1990 - Citizens for Family Planning, II - \$250
 1988 - Women's Campaign Fund Inc. - \$1,000
 1987 - Dukakis for President Committee, Inc. - \$500

For records of federal level contributions prior to 1993, I relied on FEC records

State and Local Financial Contributions:

1994- Burstein '94 - \$100
 1993- Green '93 - \$100
 1993- Liz Holtzman for Comptroller - \$100
 1993- Kathleen Brown - \$150
 1993- Bellamy for the 90's - \$1000

My record of state and local financial contributions does not extend to before 1993, but my pattern of contributions was similar in that I have periodically made small contributions to the campaigns of women running for office and to local New York races.

Services:

I served for several years (late 1980's to 1993) on the Board of the Women's Campaign Fund, a bipartisan PAC which provides financial and technical assistance to women candidates for local, State and Federal offices. In 1989, for a period of 1 or 2 months, I served as treasurer to a campaign for New York City local office, Holtzman for Comptroller.

11. Honors and Awards:

List all scholarships, fellowships, honorary degrees, honorary society memberships, and any

other special recognitions for outstanding service or achievement.

1. My undergraduate A.B. degree was awarded *magna cum laude*
2. My graduate MBA degree was awarded with honors.
3. I was the recipient of numerous scholarships and fellowships during college and graduate school. Crain's New York Business selected me in 1992 as one of "Forty Under Forty" who were making a difference in New York.

12. Published writings: List the titles, publishers and dates of books, articles, reports, or other published materials you have written.

"Issuers' Risk Management Using Derivatives and Variable Rate Debt," with Frank Oh,
The Handbook of Municipal Bonds, 1994.
 Two pamphlets published by my then employer, Kidder, Peabody & Co.: "Analysis of the Tax Exemption for State and Local Debt", 1984 and "Water and Wastewater Projects", 1984

13. Speeches: Identify each speech which you have given during the past three years, the organization to which the speech was given, and supply two copies of each speech.

As a Treasury official, I have periodically spoken before groups concerning Treasury policy. I did not speak from prepared remarks and do not have copies of any speeches. The following is a list of groups/ conferences to whom I spoke: The International Swaps & Derivatives Association (ISDA), The Public Securities Association Primary Dealers Committee, The Financial Women's Association of New York, and Center for Economic Policy Research.

14. Qualifications: State what, in your opinion, qualifies you to serve in the particular position to which you have been nominated.

Since 1993, I have been privileged to serve in the Treasury as Deputy Assistant Secretary for Federal Finance. The core of that position is management of Treasury debt, oversight and regulation of the government securities market, and monitoring of the capital markets for the Secretary. In my time here, I have added to those responsibilities to include managing the President's Working Group on Financial Markets, overseeing the development of new currency through the Advanced Counterfeit Deterrence Committee, and leading our efforts to privatize certain government sponsored enterprises. In carrying out these responsibilities, I have drawn on my prior experiences as an investment banker, a public sector issuer of debt, and a student of fiscal policy issues. I am honored to have been nominated by the President, with the support of Secretary Rubin, to be able to serve in the Treasury Department in a broader capacity and to work to protect the interests of taxpayers and the integrity and efficiency of the financial markets.

C. FUTURE EMPLOYMENT RELATIONSHIPS:

1. Will you sever all connections with your present employer, business firm, association or organization if you are confirmed by the Senate?

Not applicable, as I am currently employed by the U.S. Treasury Department.

2. Do you have any plans after completing Government service to resume employment, affiliation or practice with your previous employer, business firm, association or organization?

No

3. Has anyone made a commitment to employ your services in any capacity after you leave government service?

No

4. If confirmed, will you serve your full term of office?

I will serve at the pleasure of the President.

D. POTENTIAL CONFLICTS OF INTEREST:

1. Describe all financial arrangements, deferred compensation agreements, and other continuing dealings with business associates, clients, or customers.

None

2. Indicate any investments, obligations, liabilities, or other relationships which could involve potential conflicts of interest in the position to which you have been nominated.

I do not believe I have any such potential conflicts of interest.

3. Describe any business relationship, dealing or financial transaction which you have had during the last ten years, whether for yourself, on behalf of a client, or acting as an agent, that could in any way constitute or result in a possible conflict of interest in the position to which you have been nominated.

I do not believe there was any prior relationship, dealing or financial transaction that could in any way constitute or result in a possible conflict of interest in the position to which I am being nominated.

4. Describe any activity during the past ten years in which you have engaged for the purpose of directly or indirectly influencing or affecting the administration and execution of law or public policy.

Prior to joining the U.S. Treasury Department, as Deputy Comptroller of New York City, I met with Congressional staff on several occasions to discuss issues regarding municipal bonds.

5. Explain how you will resolve any potential conflict of interest including any that may be disclosed by your responses to the above items. (Please provide a copy of any trust or other agreements.)

I would consult with Treasury Department ethics officials to determine how to best resolve any potential conflicts of interest

6. Written opinions should be provided directly to the Committee by the General Counsel of the Agency to which you have been nominated and by the Director, Office of Government Ethics, Office of Personnel Management concerning potential conflicts of interest or any other legal barriers to your serving in this position.

E. TESTIFYING BEFORE CONGRESS:

1. Are you willing to appear and testify before any duly constituted committee of the congress on such occasions as you may be reasonably requested to do so?

Yes

2. Are you willing to provide such information as is requested by such committee?

Yes

F. OTHER:

1. Provide the full details of any civil or criminal proceedings in which you were a defendant or any inquiry or investigation by the Federal, State, or local agency in which you were the subject of the inquiry or investigation?

None

2. Give the full details of any proceeding, inquiry or investigation in which you were the subject of the proceeding, inquiry or investigation.

None

3. Have you ever been convicted (including pleas of guilty or nolo contendere) of any criminal violation other than a minor traffic offense?

None

4. Please advise the Committee of any additional information, favorable or unfavorable, which you feel should be considered in connection with your nomination.

I believe my answers to this questionnaire should be sufficient, but I would be happy to answer any further questions the Committee might have.

David Bradburn
Signature

July 11, 1995
Date

JOSEPH H. GALE
NOMINEE INFORMATION
SENATE FINANCE COMMITTEE

A. BIOGRAPHICAL:

1. Name:

Joseph H. Gale

2. Address:

1848 Kalorama Road, NW
Washington, D.C. 20009

3. Date and place of birth:

August 26, 1953
Smithfield, Virginia

4. Marital status:

Single

5. Names and ages of children:

None

6. Education:

Smithfield High School
Smithfield, Virginia
Diploma, 1971

Princeton University
Princeton, New Jersey
September 1971 - June 1976
A.B., Philosophy, 1976

University of Virginia School of Law
Charlottesville, Virginia
September 1977 - May 1980
J.D., 1980

7. Employment Record:

Scheduler for Andrew P. Miller
Candidate for Democratic Nomination for Governor of Virginia
Miller for Governor Campaign Committee
E. Main Street, Richmond, VA
August 1976 - June 1977

Paralegal
Career Blazers Temporary Personnel
500 5th Avenue, New York, NY
June 1978 - August 1978

Legal Researcher
Abkco Music, Inc.
1700 Broadway, New York, NY
June 1978 - August 1978

Summer Associate Attorney
Brown & Wood
One World Trade Center, New York, NY
June 1979 - August 1979

Associate Attorney
Dewey Ballantine
1775 Pennsylvania Avenue, NW, Washington, DC
September 1980 - February 1983

Associate Attorney
Dickstein, Shapiro & Morin
2101 L Street, NW, Washington, DC
February 1983 - January 1985

Tax Legislative Counsel
Office of Senator Daniel Patrick Moynihan (D-NY)
464 Russell Senate Office Building, Washington, DC
January 1985 - January 1989

Administrative Assistant & Tax Legislative Counsel
Office of Senator Daniel Patrick Moynihan (D-NY)
464 Russell Senate Office Building, Washington, DC
January 1989 - December 1989

Chief Counsel
Office of Senator Daniel Patrick Moynihan (D-NY)
464 Russell Senate Office Building, Washington, DC
January 1990 - January 1993

Chief Tax Counsel
U.S. Senate Committee on Finance
205 Dirksen Senate Office Building, Washington, DC
January 1993 - January 1995

Chief Tax Counsel - Minority
 U.S. Senate Committee on Finance
 203 Hart Senate Office Building, Washington, DC
 January 1995 - July 1995

Staff Director & Chief Counsel - Minority
 U.S. Senate Committee on Finance
 203 Hart Senate Office Building, Washington, DC
 July 1995 - present

8. Government Experience:

Continuous service as U.S. Senate staff member since January 1985, detailed above.

9. Memberships:

District of Columbia Bar
 American Bar Association - Taxation Section
 Princeton Club of Washington
 Princeton Club of New York
 Colonial Club of Princeton University
 University of Virginia Law School Tax Study Group

10. Political affiliations and activities:

Contributions

10/5/94	Charles S. Robb for U.S. Senate	\$100
7/19/94	Oklahomans for Cody Graves (Oklahoma Corporation Commission)	\$50
4/26/92	Clinton for President	\$250
2/19/92	Oklahomans for Cody Graves (Oklahoma Corporation Commission)	\$100
10/5/92	Jim Hunter for Arlington Board (Arlington County, Va. Board of Supervisors)	\$50
10/22/91	Brock Adams Senate Committee	\$50
10/5/90	Harvey Gantt for U.S. Senate	\$15
9/30/90	Committee to Elect Mike Duffy (Massachusetts legislature)	\$50
2/14/88	Barney Frank for Congress	\$25

11. Honors & Awards:

Dillard Fellow, University of Virginia School of Law
Valedictorian, Smithfield High School, Smithfield, Virginia

12. Published writings:

"Passive Loss Limitation Rules," Federal Bar Association
Section of Taxation Report (Winter 1987).

13. Speeches:

June 15, 1995	Commencement Address Smithfield High School Smithfield, Virginia
June 3, 1995	"Current Tax Legislative Developments" Virginia State Bar - Continuing Legal Education, Program in Federal Taxation University of Virginia Law School Charlottesville, Virginia
May 20, 1995	"Tax Legislative Outlook" American Bar Association Section of Taxation Plenary Session Washington, D.C.
May 20, 1995	"Outlook for Fundamental Tax Reform" American Bar Association Section of Taxation Committee on Value Added Tax Washington, D.C.
March 2, 1995	"Tax Legislative Outlook" Federal Bar Association Tax Law Conference Washington, D.C.
November 14, 1994	"Current Legislative Developments in International Tax" American Tax Institute in Europe Cannes, France
May 17, 1994	"Current Tax Legislative Developments" American Institute of Certified Public Accountants - Tax Division Washington, D.C.
March 25, 1994	"Current Tax Legislative Developments" University of Virginia Law School Tax Study Group Charlottesville, Virginia

- March 8, 1994 "Tax Legislative Outlook"
Federal Bar Association
Tax Law Conference
Washington, D.C.
- October 8, 1993 "Recap of 1993 Insurance Tax Legislative
Developments"
Hartford Institute on Insurance Taxation
Washington, D.C.
- October 1, 1993 "Shape & Economics of the Omnibus Budget
Reconciliation Act of 1993"
Prentice Hall Law & Business and Fordham
University School of Law
Conference on Tax Planning after the
Revenue Reconciliation Act of 1993
New York, New York
- September 23, 1993 "The 1993 Revenue Reconciliation Act
Teleconference" (taped remarks)
American Institute of Certified Public
Accountants
- September 13, 1993 "Tax Legislative Outlook"
The Tax Coalition
Washington, D.C.
- April 26, 1993 "Update on Tax Legislative Issues
Affecting Charities"
Council of Jewish Federations
Washington Update
Washington, D.C.
- December 3, 1992 "Tax Legislative Outlook"
American League of Lobbyists
Washington, D.C.
- November 20, 1992 "Current Tax Legislative Developments"
University of Virginia School of Law
Tax Study Group
Charlottesville, Virginia

With the exception of the June 15, 1995 commencement address at Smithfield High School, all other speeches were from notes rather than a prepared text, and thus no written copies are available. Since the commencement speech did not cover legislative or policy matters, but rather personal reminiscences and inspirational matters, I have assumed that a text of that speech would not be of interest to the Committee.

14. Qualifications:

I have had over 15 years of experience as an attorney specializing in Federal income tax matters, over 10 of which have involved substantial responsibility as a Congressional staff member in the development and passage of Federal tax legislation. As a tax legislative counsel to a senior member of the Committee on Finance, and later as the Committee's Chief Tax Counsel, I have participated in the development and passage of all tax legislation that has been considered by Congress in the last decade, starting with the Tax Reform Act of 1986. I believe that this legislative experience, in addition to experience in the private practice of tax law, has given me a firm grasp of both the technical issues and the Congressional policies and intent that underlie the provisions of the Internal Revenue Code. Accordingly, I believe I am well suited to interpret the tax laws as a Tax Court judge in a manner that ensures that the intent of Congress is effectuated.

C. FUTURE EMPLOYMENT RELATIONSHIPS:

1. Will you sever all connections with your present employer, business firm, association or organization if you are confirmed by the Senate?
Yes.
2. Do you have any plans after completing Government service to resume employment, affiliation or practice with your previous employer, business firm, association or organization?
No.
3. Has anyone made a commitment to employ your services in any capacity after you leave Government service?
No.
4. If confirmed, will you serve your full term of office?
Yes.

D. POTENTIAL CONFLICTS OF INTEREST:

1. Describe all financial arrangements, deferred compensation arrangements, and other continuing dealings with business associates, clients, or customers.
None.
2. Indicate any investments, obligations, liabilities, or other relationships which could involve potential conflicts of interest in the position to which you have been nominated.

Since I directly own common stock of certain U.S. corporations, it is possible that a potential conflict of interest could arise if one of these corporations became involved in a proceeding before the Tax Court. If this were to occur, I would take whatever steps were necessary or appropriate under the rules or practices of the Court, the Code of Conduct for United States Judges, or 28 U.S.C. Sec. 455, to resolve the conflict, including recusal.

3. Describe any business relationship, dealing or financial transaction which you have had during the last ten years, whether for yourself, on behalf of a client, or acting as an agent, that could in any way constitute or result in a possible conflict of interest in the position to which you have been nominated.

None.

4. Describe any activity during the past ten years in which you have engaged for the purpose of directly or indirectly influencing or affecting the administration and execution of law or public policy.

Since January 1985, I have worked on the tax legislative staff of either a member of the U.S. Senate Committee on Finance or the Committee itself. In those capacities, I have routinely worked to influence Federal tax policy, by providing professional advice to members of the Committee and other Senators, and by advocating the policy objectives of those Senators.

5. Explain how you will resolve any potential conflicts of interest including any that may be disclosed by your responses to the above items. (Please provide a copy of a..y trust or other agreements.)

I will take whatever steps are necessary or appropriate under the rules or practices of the U.S. Tax Court, the Code of Conduct for United States Judges, or 28 U.S.C. Sec. 455, to resolve any potential conflicts of interest, including recusal.

6. Written opinions should be provided directly to the Committee by the General Counsel of the Agency to which you have been nominated and by the Director, Office of Government Ethics, Office of Personnel Management concerning potential conflicts of interest or any other legal barriers to your serving in this position.

Not applicable.

E. TESTIFYING BEFORE CONGRESS:

1. Are you willing to appear and testify before any duly constituted committee of the Congress on such occasions as you may be reasonably requested to do so?

Yes.

DEPARTMENT OF THE TREASURY

TREASURY  **NEWS**

OFFICE OF PUBLIC AFFAIRS • 1500 PENNSYLVANIA AVENUE, N.W. • WASHINGTON, D.C. • 20220 • (202) 622-2960

FOR IMMEDIATE RELEASE
November 30, 1995**STATEMENT OF DAVID A. LIPTON
NOMINEE FOR ASSISTANT SECRETARY FOR INTERNATIONAL AFFAIRS OF THE TREASURY
BEFORE THE SENATE FINANCE COMMITTEE**

Mr. Chairman, I am honored to appear before this distinguished committee in connection with my nomination to be Assistant Secretary for International Affairs of the Treasury. I appear before you with Jeffrey Shafer, whose high standard as Assistant Secretary for International Affairs I will strive to match if Mr. Shafer is confirmed as Under Secretary of the Treasury and I am confirmed as Assistant Secretary. I am honored that President Clinton and Secretary Rubin have expressed their confidence in me by nominating me for this important position.

For the past two and a half years I have served at the Treasury Department as Deputy Assistant Secretary for Eastern Europe and the Former Soviet Union. During this time, I have worked to design and implement a policy of U.S. leadership in support of comprehensive, market oriented reform in the economies in transition. We have engaged the G-7 and the international financial institutions in pursuit of multilateral backing for that historic process.

In recent years, I have devoted much of my energy to the policy issues facing the economies in transition. Before joining the Treasury Department, I spent a year as a Fellow at the Woodrow Wilson Center of Scholars. For the previous four years, I served as an economic advisor to the governments of Russia, Poland, and Slovenia under the auspices of the United Nations Development Program and the World Institute for Development Economics Research. In these capacities, I studied the problems surrounding economic transition and advised central and eastern european leaders working to create stable, private market economies. Earlier, I spent eight years on the staff of the IMF covering a broad range of stabilization and reform issues in Latin America, Africa, and Asia.

For press releases, speeches, public schedules and official biographies, call our 24-hour fax line at (202) 622-2040



If confirmed as Assistant Secretary for International Affairs of the Treasury, I will work to make sure that the Treasury remains focussed on the five major policy priorities which Mr. Shafer has just laid out: coordinating macroeconomic policy in the G-7, implementing the reforms agreed upon at the Halifax Summit in the international financial institutions, supporting economic transition in central and eastern Europe, encouraging sustainable development including through the multilateral development banks, and continuing efforts to open markets to U.S. goods and services. Each of these goals is important to the United States, because growth and stability abroad means growth and stability at home.

Let me add a few thoughts on the economies in transition, which, as I mentioned earlier, has been an area of special interest to me. When the Iron Curtain fell, 350 million people living in 23 countries were left with a failed economic system, a near-worthless military industrial complex, and deep-seated financial imbalances. These countries lacked the legal, fiscal, and financial institutions of modern states, as well as the human and financial capital and technology of modern market economies.

The process of casting off the old system has seen production declines and high inflation, all in a political context colored by public anxiety about change and by unmettable expectations of quick prosperity. But, it has also seen the emergence of a new economic orthodoxy. Liberalization, stabilization, and privatization have become buzz words, but they are each steps that must be taken by countries moving down the transition path.

Experiences across the region show that the transition path is arduous and politically challenging, but that there is a path to modernization and integration. Much of central Europe is growing again and much of the former Soviet Union is restoring the financial stability that is a precursor to growth. Our continued bilateral and multilateral support for this transition is vital. To falter in this effort would be to forfeit for our generation's chance at bringing these economies into the world economy. These countries could become important new markets for U.S. exporters. In fact, integration of these economies could provide an engine of growth for years to come.

In conclusion, let me say that, if I am confirmed as Assistant Secretary for International Affairs, I will work to ensure that all of the policy issues I have outlined above are addressed with professionalism and integrity. I believe this is the surest way to meet the challenges which the United States will face in the international economy and to help ensure our own economic growth and stability.

Thank you, Mr. Chairman. I would be happy to answer any questions which you or the Committee may have.

SENATE FINANCE COMMITTEE
RESPONSES TO REQUEST FOR INFORMATION FROM NOMINEES

A. BIOGRAPHICAL:

1. Name: Include any former names used

David Aaron Lipton

2. Address: List current residence and mailing

3806 Shepherd St.
Chevy Chase, Md. 20815

3. Date and place of birth:

Nov. 11, 1953
Boston, Mass.

4. Marital status: Include maiden name of wife or husband's marital status:

married, 6/15/84

Mary Susan Galbraith

5. Names and ages of children:

Anna Rose Lipton Galbraith, 9
Sasha Lipton Galbraith, 7
Gabriel Lipton Galbraith, 2

6. Education: List institution(s), dates attended, degree received, and date degree granted.

Wayland High School, Wayland, Mass., 1967-71, graduated 1971

Wesleyan University, Middletown, Conn., 1971-75, B.A. 1975

Harvard University, Cambridge, Mass., 1975-80, M.A. 1979, Ph.d. 1981

7. **Employment record:** List all positions held since college, including title or description of job, name of employer, location of work, and dates of inclusive employment.

A. UNITED STATES TREASURY, OFFICE OF INTERNATIONAL AFFAIRS

DEPUTY ASSISTANT SECRETARY FOR EASTERN EUROPE AND THE FORMER SOVIET UNION. (June 1993 - present)

- Formulate policy toward Eastern Europe and former Soviet Union.
- Manage technical assistance program for the region.

B. FELLOW, WOODROW WILSON CENTER FOR SCHOLARS

RESEARCH FELLOWSHIP. (September 1992 - present)

- Conducting research on the economic and political consequences of the transformation in Poland and Russia.

C. VICE PRESIDENT, JEFFREY D. SACHS AND ASSOCIATES, INC.

POLICY ADVICE AND RESEARCH IN EASTERN EUROPE, (1989-1992)

- Senior economic advisor to the governments of Russia, Poland, and Slovenia.
- Conducted research on the economics of transformation in formerly centrally planned economies.
- Managed advisory and research teams in Eastern Europe, Russia, and Mongolia.

POLICY ADVICE IN LATIN AMERICA, (1989)

- Advised the Governments of Bolivia and Venezuela in the design and implementation of their macroeconomic and debt management policies.

D. INTERNATIONAL MONETARY FUND

ASIAN DEPARTMENT, SENIOR ECONOMIST (1987-89)

- Analyzed economic policymaking in Japan as part of IMF surveillance of industrial countries.

EXCHANGE AND TRADE RELATIONS DEPARTMENT AND WESTERN HEMISPHERE DEPARTMENT, ECONOMIST (1981-87)

- Worked on IMF policy toward the Paris Club and the official export credit agencies.
- Drafted policy papers for the IMF Executive Board on issues relating to IMF conditionality and IMF involvement in the resolution of the developing country debt crisis.
- Participated in IMF negotiation in ten countries in Africa, Asia, and the Western Hemisphere.

8. Government experience: List any experience in, or association with, Federal, State or local governments including any advisory, consultative, honorary or part-time services or positions

UNITED STATES TREASURY, OFFICE OF INTERNATIONAL AFFAIRS

DEPUTY ASSISTANT SECRETARY FOR EASTERN EUROPE AND THE FORMER SOVIET UNION, (June 1993 - present)

9. Memberships: List all memberships and offices held in professional, fraternal, scholarly, civic, charitable, and other organizations.

None.

10. Political affiliations and activities: List all memberships and offices held in or financial contributions and services rendered to all political parties or election committee during the last ten years.

Registered Democrat since age 18
No other affiliations, memberships, or offices.

11. Honors and Awards: List all scholarships, fellowships, honorary degrees, honorary society memberships, and any other special recognitions for outstanding service or achievement.

- a. Phi Beta Kappa, Wesleyan University, 1974
- b. Member of the Brookings Panel of Economists, 1990-91
- c. Fellowship, Woodrow Wilson Center for Scholars, 1000 Jefferson Dr. SW, Washington, D.C., 1992

12. Published writings: List the titles, publishers and dates of books, articles, reports, or other published materials you have written.

--"A New Opportunity for Helping Russia's Economic Reforms Succeed," prepared for the Fund for Democracy and Development project United States Assistance to Russia: A Blueprint for Action, February 1993.

--"Russia: Reforms Endangered." forthcoming in Foreign Policy Magazine, March, 1993.

--"The Prospects for Economic Reform in Russia," in Brookings Papers on Economic Activity, Brookings Institution, 1992(1), with Jeffrey Sachs.

--"The Remaining Steps to a Market-Based Monetary System in Russia," presented at Conference on the Transformation of Russia, Stockholm Institute for East European Economics, Stockholm, June 15, 1992, with Jeffrey Sachs.

--"Poland's Budget and the Economic Transformation," forthcoming in Conference Volume on Transition in Eastern Europe, the National Bureau of Economic Research, Cambridge, Massachusetts, with Alain deCrombrughe.

--"Privatization in Eastern Europe," in Brookings Papers on Economic Activity, Brookings Institution, 1990(2), with Jeffrey Sachs.

--"Poland's Economic Reform," in Foreign Affairs, Summer 1990, Council on Foreign Relations, with Jeffrey Sachs.

--"Creating a Market Economy in Eastern Europe: The Case of Poland," in Brookings Papers on Economic Activity Brookings Institution, 1990 (1), with Jeffrey Sachs.

--"External Debt and Economic Management: the Role of the International Monetary Fund," in External Debt Management edited by H. Mehran, International Monetary Fund, 1985, with K. Burke Dillon.

--"Multiple Shooting in Rational Expectations Models," *Econometrica*, September 1982, with J. Poterba, J. Sachs, and L. Summers.

--"The Supply Approach to Oil Shocks and the Slowdown in Japanese Economic Growth," in *Toyo Keizai Shinpo Sha*, June 1981, with Jeffrey Sachs.

--"Accumulation and Growth in a Two-Country Model," in *Journal of International Economics*, 1981, with Jeffrey Sachs.

Op-ed articles:

"Russia on the Ropes, How the IMF is Missing its Chance to Spur Recovery," co-authored with Jeffrey Sachs, Op-ed article in the Washington Post, September 27, 1992.

"Shock Therapy and Real Incomes: Eastern European Reforms," co-authored with Jeffrey Sachs, Op-ed article in the Financial Times, January 29, 1991.

"How Yugoslavia Can Save Itself," co-authored with Jeffrey Sachs, Op-ed in the Washington Post, December 31, 1989.

13. Speeches: Identify each speech which you have given during the past three years, the organization to which the speech was given, and supply two copies of each speech.
- a.) Speech (attached) on November 8, 1993, at Wesleyan University (an honorary lecture series), on the economic transformation in Russia.
 - b.) Testimony (attached) on November 5, 1993, before the Subcommittee on Commerce, Consumer and Monetary Affairs of the Committee on Government Relations of the House of Representatives, on the role of trade and investment in U.S. relations with Russia and the Former Soviet Union, in my capacity as Deputy Assistant Secretary of the Treasury for Eastern Europe and the Former Soviet Union.
 - c.) Speech (attached) on September 10, 1993, at Conference on the Challenges of Transition for Ukraine's Economy, sponsored by the CIA, on the economic challenges facing Ukraine.
 - d.) Remarks (not from a prepared text) on December 8, 1992 at a forum at the Woodrow Wilson Center for Scholars, on the progress and prospects for reform in Poland and the lessons for other economies in transition.

14. Qualifications: State what, in your opinion, qualifies you to serve in the particular position to which you have been nominated.

My education, professional experience, and personal strengths prepare me well for a leadership role in the formulation and execution of international economic policy. My education centered on international trade and finance, both theoretical and policy issues. My professional experience includes a wide range of activities, including industrial country macroeconomic issues, developing country stabilization and debt issues, and transitional economy issues. In those activities, I have been closely involved, at the IMF, as an economic adviser, and in my present capacity at the US Treasury, in aspects of policy making in a large number of foreign countries, and am acquainted with the leadership and key issues in many countries. I am also well acquainted with the process of policy formulation and execution here in the US government, because in my present capacity, I have been deeply involved in administration policy formulation for the countries of Eastern Europe and the former Soviet Union.

C. FUTURE EMPLOYMENT RELATIONSHIPS:

1. Will you sever all connections with your present employer, business firm, association or organization if you are confirmed by the Senate?

Not applicable, as I am presently employed by the U.S. Treasury.

2. Do you have any plans after completing Government service to resume employment, affiliation or practice with your previous employer, business firm, association or organization?

No.

3. Has anyone made a commitment to employ your services in any capacity after you leave government service?

No.

4. If confirmed, will you serve your full term of office?

Yes.

D. POTENTIAL CONFLICTS OF INTEREST:

1. Describe all financial arrangements, deferred compensation agreements, and other continuing dealings with business associates, clients, or customers.

None.

2. Indicate any investments, obligations, liabilities, or other relationships which could involve potential conflicts of interest in the position to which you have been nominated.

None.

3. Describe any business relationship, dealing or financial transaction which you have had during the last ten years, whether for yourself, on behalf of a client, or acting as an agent, that could in any way constitute or result in a possible conflict of interest in the position to which you have been nominated.

None.

4. Describe any activity during the past ten years in which you have engaged for the purpose of directly or indirectly influencing or affecting the administration and execution of law or public policy.

During the period 1989-93, I authored or co-authored several articles and papers (including those listed above) on the subject of the economic transition of the formerly communist countries of Eastern Europe and the former Soviet Union that were intended to inform and influence thinking about public policy. I also participated in a small number of conferences where my remarks on this subject were made with the same intention.

5. Explain how you will resolve any potential conflict of interest including any that may be disclosed by your responses to the above items. (Please provide a copy of any trust or other agreements.)

Should any potential for a conflict of interest arise in the future, I will immediately consult with the appropriate ethics counsel at the Department of Treasury.

6. Written opinions should be provided directly to the Committee by the General Counsel of the Agency to which you have been nominated and by the Director, Office of Government Ethics, Office of Personnel Management concerning potential conflicts of interest or any other legal barriers to your serving in this position.

These opinions will be provided promptly by the Department.

E. TESTIFYING BEFORE CONGRESS:

1. Are you willing to appear and testify before any duly constituted committee of the congress on such occasions as you may be reasonably requested to do so?

Yes.

2. Are you willing to provide such information as is requested by such committee?

Yes.

F. OTHER:

1. Provide the full details of any civil or criminal proceedings in which you were a defendant or any inquiry or investigation by the Federal, State, or local agency in which you were the subject of the inquiry or investigation?

None.

2. Give the full details of any proceeding, inquiry or investigation in which you were the subject of the proceeding, inquiry or investigation.

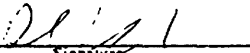
None.

3. Have you ever been convicted (including pleas of guilty or nolo contendere) of any criminal violation other than a minor traffic offense?

No.

4. Please advise the Committee of any additional information, favorable or unfavorable, which you feel should be considered in connection with your nomination.

None.


Signature

Sept 11, 1977
Date

STATEMENT BY SENATOR CAROL MOSELEY-
BRAUN IN SUPPORT OF THE NOMINATION OF
JEFFREY R. SHAFER FOR UNDER SECRETARY,
INTERNATIONAL AFFAIRS, U.S. DEPARTMENT OF
TREASURY

MR. CHAIRMAN, I AM PLEASED TO INTRODUCE A
DISTINGUISHED CONSTITUENT OF MINE, MR. JEFFREY R. SHAFER,
THE PRESIDENT'S NOMINEE FOR THE POSITION OF UNDER
SECRETARY FOR INTERNATIONAL AFFAIRS AT THE U.S.
DEPARTMENT OF TREASURY TO THIS COMMITTEE. JEFFERY SHAFER
WAS BORN IN LAKE FOREST ILLINOIS WHICH IS A SUBURB OF THE
CITY OF CHICAGO, AND GROW UP IN LAKE BLUFF, ILLINOIS. HIS
PARENTS RESIDED IN LAKE BLUFF, ILLINOIS. HIS FATHER WORKED
AS IN CHEMIST IN WAUKEGAN, ILLINOIS DURING THE WAR, AND HIS
MOTHER WAS A HOMEMAKER.

MR. SHAFER'S FIRST JOB WAS WITH NORTHERN TRUST BANK IN CHICAGO. SINCE THAT TIME HE HAS HELD A NUMBER OF IMPRESSIVE POSITIONS IN ACADEMIA AND IN THE PUBLIC AND PRIVATE SECTOR. THROUGHOUT HIS LONG AND DISTINGUISHED CAREER HE HAS ALWAYS BEEN PROUD TO BE A SON FROM THE LAND OF LINCOLN, AND HE STILL CONSIDERS ILLINOIS TO BE HIS HOME. I AM ALSO HAPPY TO REPORT THAT HIS ELDEST DAUGHTER - LARA'S - FIRST JOB WAS IN THE CHICAGO BRANCH OF ARTHUR ANDERSON, AND HER FIRST VOTE WAS FOR MY CANDIDACY FOR PUBLIC OFFICE.

JEFFERY SHAFER HAS AN EXTENSIVE EDUCATIONAL AND PROFESSIONAL BACKGROUND IN THE AREA OF INTERNATIONAL ECONOMICS WHICH MAKES HIM A SOLID CANDIDATE FOR THE POSITION OF UNDER SECRETARY FOR INTERNATIONAL AFFAIRS. DURING THIS TIME OF REVOLUTIONARY CHANGE IN THE INTERNATIONAL MONETARY SYSTEM, AND THE INCREASING INTEGRATION OF THE WORLD ECONOMY, IT IS ESSENTIAL THAT WE HAVE A PERSON IN THIS KEY POSITION WITH A BLEND OF PRIVATE AND PUBLIC SECTOR MANAGEMENT EXPERIENCE.

HIS EXTENSIVE WRITINGS ON INTERNATIONAL BANKING, ECONOMIC POLICY COORDINATION AND THE INTERNATIONAL DEBT CRISIS ARE FURTHER EVIDENCE OF HIS TRAINING AND EXPERIENCE IN ECONOMIC ANALYSIS AND PROBLEM SOLVING. AND HIS WORK AT THE TREASURY DEPARTMENT AS AN ASSISTANT SECRETARY DEMONSTRATES THAT HE CAN PROVIDE THE KIND OF LEADERSHIP THAT IS NEEDED TO FORMULATE AND EXECUTE POLICIES DEALING WITH INTERNATIONAL MONETARY AND TRADE POLICY, MULTILATERAL DEVELOPMENT BANKS AND NEGOTIATING ACCESS TO U.S. SERVICES PROVIDERS DURING THIS CRITICAL PERIOD.

I BELIEVE THAT PRESIDENT CLINTON COULD FIND NO BETTER CANDIDATE FOR THIS POSITION. I AM CONFIDENT THAT JEFFERY SHAFER WILL DO A SUPERB JOB FOR THE DEPARTMENT OF TREASURY AND THE AMERICAN PEOPLE. I AM DELIGHTED TO SUPPORT HIS NOMINATION WITHOUT RESERVATION AND ASK THAT HE BE CONFIRMED WITHOUT DELAY.

DEPARTMENT OF THE TREASURY


TREASURY NEWS

OFFICE OF PUBLIC AFFAIRS • 1500 PENNSYLVANIA AVENUE, N.W. • WASHINGTON, D.C. • 20220 • (202) 622-2060

FOR RELEASE UPON DELIVERY

Expected About 10 a.m.

November 30, 1995

**STATEMENT OF JEFFREY R. SHAFER
NOMINEE FOR UNDER SECRETARY OF THE TREASURY
INTERNATIONAL AFFAIRS**

Mr. Chairman, I am honored to be here today as President Clinton's nominee to be Under Secretary of the Treasury for International Affairs. If confirmed, I look forward to continuing a career in public service which began with a military tour in Vietnam and subsequently included years of service with the Federal Reserve System and the Organization for Economic Cooperation and Development. For the past two and half years I have served as Assistant Secretary of the Treasury for International Affairs and have had the privilege of working closely with Secretary Denton and Secretary Rubin on a wide range of international economic issues.

A few weeks ago at the annual meeting of the World Bank and the International Monetary Fund, President Clinton commented that "interdependence among nations has grown so deep that literally it is now meaningless to speak of a sharp dividing line between foreign and domestic policy." That is why he has put a strong emphasis both on getting our own economic house in order and securing economic opportunities abroad. Over the past 2 and 1/2 years we have made great strides on both fronts, and if confirmed as Under Secretary, I look forward to working closely with Deputy Secretary Summers, Secretary Rubin and this Congress to continue our progress.

The Under Secretary of the Treasury for International Affairs is charged with managing a wide array of issues to help promote the economic and financial well-being of the United States. Responsibilities of this office include promoting macroeconomic coordination, encouraging sustainable development, supporting transition economies and participating in the international financial institutions. If confirmed, some of the areas that will be priorities for me include:

- building on the progress we have made through cooperation in the G-7 to strengthen global growth.

RR 740

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- o implementing the reforms agreed upon at the Halifax Summit to strengthen the capacity of the international monetary system to cope with financial instability;
- o continuing to support the integration of transition economies of Central Europe and the Former Soviet Union into the world economy;
- o encouraging marketbased, sustainable development through U.S. participation in the multilateral development banks, to spread prosperity, and
- o sustaining efforts to open foreign markets to U.S. goods and services.

I would like to take a minute to expand on this last point because a high priority for Treasury is the promotion of open and integrated financial markets. I believe this emphasis is well placed because financial market development is key to sustaining private sector-led growth in emerging markets around the world. Moreover, it is this growth abroad that will foster further growth here at home.

We have been working towards the goal of open financial markets on a number of tracks, including the Summit of the Americas, APEC and the World Trade Organization. We participated at Treasury concluded a multilateral agreement on financial services under the auspices of the World Trade Organization last July. This agreement locks in our access to serve key markets and lays a base of commitment from others. We retained the option of not providing additional access in our market to countries that do not provide adequate access and national treatment to U.S. financial firms. Our financial services providers are among the most competitive and sophisticated in the world, and we need to do what we can to ensure that they can compete on a level playing field in foreign markets, and we will continue to do this.

In closing, let me reiterate that I am deeply honored to have been nominated for this position and that, if confirmed, will work conscientiously and assiduously to achieve the goals that I have set out here today. In so doing, I would also like to stress that I am committed to keeping those of you who work on the issues I have responsibility for involved and informed.

RESPONSE TO INFORMATION REQUESTED OF NOMINEES
BY
UNITED STATES SENATE
COMMITTEE ON FINANCE

NOMINEE: Jeffrey R. Shafer

NOMINATED FOR: UNDER SECRETARY (INTERNATIONAL AFFAIRS)
DEPARTMENT OF THE TREASURY

A. BIOGRAPHICAL:

1. Name: Jeffrey R. Shafer
2. Address: 1026 16th Street, N.W.
Washington, D.C. 20036
3. Date and place of birth: September 10, 1944
Lake Forest, Ill.
4. Marital status:
Married to Mary Louise Terenzio Shafer
5. Names and ages of
Children: Lara Louise Shafer, 24
Karen Elizabeth Shafer, 21
6. Education:
 - Southmont School, Johnstown, PA 1949-1958
 - Westmont Hilltop High School, Johnstown, PA
1958-1961
 - Crown Point High School, Crown Point, IN
1961-1962 (received high school diploma)
 - Princeton University, Princeton, NJ 1962-1966
(received A.B. degree in economics with
honors)
 - Yale University, New Haven, CT in residence
1968-1972 (received M.Phil (1970) and
Ph.D (1976) in economics)
7. Employment record:

Since May 1993, Assistant Secretary for International Affairs, Department of the Treasury. Supported by a staff of about 190, I advise and assist the Secretary, the Deputy Secretary and Under Secretary for International Affairs in the formulation and execution of policies dealing with international monetary,

financial, and trade affairs. In particular, the office of the Assistant Secretary for International Affairs focuses on issues including: international economic policy coordination; economic and financial relations with both industrialized and developing countries; foreign investment in the United States; and U.S. policy with respect to the International Monetary Fund and the multilateral development banks. I serve as a member of the Board of the Overseas Private Investment Corporation (OPIC). I took the lead for the Treasury in negotiating the establishment of the North American Development Bank, in spearheading reforms of the multilateral development banks and negotiating access to markets abroad for U.S. providers of financial services.

Dec. 1991-March 1993: Deputy Director of the Country Studies and Economic Prospects Branch in the Economics Department of the Organisation for Economic Cooperation and Development (OECD).

Together with the Director, I planned, supervised and contributed to the work of a team of sixty-five people. The Branch is responsible for preparing drafts of Economic Surveys of Member countries and of Central and Eastern European countries that are OECD Partners in Transition. Its assessments are also published in the OECD Economic Outlook. I was called upon to lead country missions in the process of preparing Country Survey drafts, where I meet with government officials, members of the business community, representatives of labour unions and private sector economies.

March, 1988 - December, 1991: Deputy Director of the Policy Studies Branch (formerly General Economics Branch), OECD.

I planned, supervised and contributed to the work of a team of fifty people in collaboration with the Director of the Branch and the Head of the Economics Department. The Branch analyzes economic developments and the policies of the 24 OECD countries on a cross-country basis, interactions among Member countries, and economic links with non-Member countries. Its analysis is published in the OECD Economic Outlook, Economic Studies and Working Papers. For several years I had special responsibility for the development of the work on Reform of Structural Policies -- covering the full range of government policies affecting economic performance. In the second half of 1990, I was the

senior OECD representative on the task force that prepared the Joint Study of the Soviet economy commissioned by the Houston Economic Summit.

January, 1984 - March, 1988: Counsellor for International Economic Policies, Organisation for Economic Cooperation and Development.

I advised the Secretary-General and the Head of the Economics and Statistics Department on international economic and financial issues and undertook work requested by them. I drafted documents for high level international meetings concerned with overall economic policy strategies, with the international debt crisis, and with structural adjustment in Member countries. I also advised the Head of the Department on the development of the program of work and budget and on personnel administration, especially in the area of recruitment and management of professional staff.

February, 1981 - January, 1984: Vice President, Research and Statistics Function, Federal Reserve Bank of New York (promoted from Assistant Vice President December, 1981).

I supervised three departments, totalling about 40 people, responsible for international and financial markets research. I carried out and supervised current analysis, forecasting and research in preparation for FOMC meetings, in support of the bank's operational and policy responsibilities and for publication in the Quarterly Review. Specific areas of work included forecasting of exchange rates, economic activity in major industrial countries, international financial market innovations and country risk.

Spring, 1983 Visiting Lecturer, Department of Economics, Yale University.

I conducted a seminar, Topics in International Finance, for advanced graduate students.

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August, 1978 - January, 1981 Deputy Associate Director, Board of Governors of the Federal Reserve System (title changed from Associate International Division Officer in October, 1979).

I was responsible for oversight of the work of two sections--the U.S. International Transactions Section (Balance of Payments) and the Financial Markets Section (exchange markets and Eurocurrency markets) within the Board's Division of International Finance. During this period, I was given responsibility for developing the proposals for International Banking Facilities, which were implemented by the Board.

April, 1977 - August, 1978 Senior International Economist for the Council of Economic Advisers on detail from the Federal Reserve Board.

I was the principal staff member dealing with international issues and was closely involved with preparation for the Bonn Economic Summit in 1978.

September, 1975 - April, 1977 Chief, U.S. International Transactions Section, International Finance Division of the Federal Reserve Board.

I headed the team that monitored, analysed, made forecasts and reported to the Board of Governors on U.S. international trade and capital flows.

July, 1972 - September, 1975 Economist, various sections of the International Finance Division of the Federal Reserve Board.

I did research on various international financial questions and served as assistant to the Vice Chairman of the IMF Committee of Twenty on Reform of the International Monetary System.

January - May, 1975 Visiting Assistant Professor of Economics in the Graduate School of Industrial Administration, Carnegie-Mellon University. (on leave of absence from the Federal Reserve Board).

I lectured on economic principles and developed a course for MBA candidates on international finance.

Half-time Acting Instructor (1970-71 and 1971-72 academic year) in the Economics Department of Yale University, New Haven, Connecticut

Teaching assistant Yale University (1969-70 academic year)

Lieutenant of artillery, U.S. Army, served in Colorado and Vietnam, October 1966-July 1968

Junior investment analyst, Northern Trust Bank, Chicago, IL June 1966-September 1966

8. Government Experience:

My government experience is fully covered by my employment record presented under question 7. This comprises:

Assistant Secretary of the Treasury for International Affairs (1993-present)

Officer of the Federal Reserve Bank of New York (1981-1984)

Officer on the staff of the Board of Governors of the Federal Reserve System (1978-1980)

Senior economist on the staff of the Council of Economic Advisers (1977-1978)

Economist and Head of Section on the staff of the Board of Governors of the Federal Reserve System (1972-1977)

9. Memberships:

Current: American Economics Association
Princeton Club of Washington, D.C.
Women's National Democratic Club

Past:

Princeton Alumni Schools Committee for France (1986-1993)

Finance Committee of the American School of Paris (1991-1992)

National Bureau for Economic Research - Research Associate (1979-1987)

PTA Board Member, George Washington Jr. High School, Ridgewood, N.J. (1982-1983)

NAACP Arlington County Branch (1977-1981)
Board Member (1979-1981)

YMCA Indian Guides and Princesses Board Member and Chief (1980)
of Arlington County Program

10. Political affiliations and activities:

I am a registered Democrat.

11. Honors and Awards:

Bronze Star with "V" and oak leaf cluster awarded for
U.S. Army service in Vietnam 1968

Yale University fellowships for graduate study 1968-1972

12. Published Writings:

"Experience with Controls on International Capital Movements in
OECD Countries: Solution or Problem for Monetary Policy?",
presented to the Conference on Money and Finance in the Open
Economy at the Institute of Economic Research, Korea University,
Seoul, November 6-7, 1992.

"Issues of Economic Reform in the Former Soviet Union" (with
Peter Dittus): forthcoming in The Revue d'Economie Financiere.

"Saving Trends and Measurement Issues" (with Jorgen Elmeskov and
Warren Tease): Paper presented to a conference on Saving
Behaviour in Helsinki, Finland, May 1991, The Scandinavian
Economic Journal, Vol. 94, 1992, No.2.

Comment on "The Balance of Payments" by Warren Tease in The
Australian Macro-Economy in the 1980s, Proceedings of a
Conference sponsored by the Reserve Bank of Australia on 20-21
June, 1990, pp.215-219.

"Ask Not What G-7 Summits Decide But What Direction They Point
In", Toronto Globe and Mail, July 14, 1989.

"Past, Present and Future Agendas": Presentation to a Conference
on Macroeconomic Coordination and the Summit in Toronto, April,
1988. Canadian Public Policy, XV Supplement, February, 1989.

"The Impact of the U.S. Current Account Deficit on Other OECD Countries" in U.S. Trade Deficit, Causes, Consequences and Cures, Albert E. Burger, ed., Kluwer Academic Publishers, 1989.

"What the U.S. Current Account Deficit of the 1980s Has Meant for other OECD Countries". OECD Economic Studies No.10, Spring 1988.

"The Theory of the Lender of Last Resort and the Eurocurrency Markets," in Robert Z. Aliber (ed.) The Reconstruction of International Monetary Arrangements, Macmillan Press, Hampshire, England, 1987.

"Managing Crises in the Emerging Financial Landscape": Paper presented to a Conference at Ditchley Park on Financial Market Developments and Financial Stability, December, 1986. OECD Economic Studies No.9, Fall 1987.

"Comment on Padoa Schioppa: Policy Cooperation and the EMS Experience" in International Economic Policy Coordination, William H. Buiter and Richard C. Marston (eds.) Cambridge University Press, 1985

"Comment on Terrell and Mills: International Banking Facilities and the Eurodollar Market" in Paolo Savana and George Sutiya (eds.), Eurodollars and International Banking, Macmillan Publishers Ltd. U.K., 1985.

"Stabilization Policies in Open Economies", AEA Papers and Proceedings, May, 1984.

"Comment on Clarida and Friedman. Why Have Short-Term Interest Rates Been so High?" Brookings Papers on Economic Activity, 2: 1983.

"Floating Exchange Rates after Ten Years" (with Bonnie E. Loopesko) Brookings Papers on Economic Activity, 1:1983.

"Analysis of Short-Run Exchange Rate Behaviour: March, 1973 to November, 1981 (with Michael P. Dooley), in The Exchange Rate and Trade Instability: Causes, Consequences and Policies, David Bigman and Teizo Taya, eds.; Ballinger Publishing Company, Boston, Ma.

"Comment on Exchange Rate Volatility" in Dreyer, Haberler, and Willett (eds.) The International Monetary System: A Time of Turbulence. American Enterprise Institute, Washington, D.C. 1982.

- 8 -

"International Portfolio Disturbances and Domestic Monetary Policy" (with Edwin M. Truman) in Cooper, et al, The International Monetary System Underflexible Exchange Rates (Essays in Honor of Robert Triffin), Ballinger Publishing Company, Boston, Ma., 1982.

"Flexible Exchange Rates, Capital Flows, and Current Account Adjustment," Processed, March, 1980.

"Rules for Intervention Without Fixed Parities: (with Michael P. Dooley), International Finance Discussion Paper Number 77, Board of Governors of the Federal Reserve System, February, 1976.

"Analysis of Short-Run Exchange Rate Behaviour: March, 1973 to September, 1975" (with Michael P. Dooley), International Finance Discussion Paper Number 75, February, 1976. Presented at the winter meetings of the Econometrics Society in Dallas, Texas, in December, 1975 and at the American Enterprise Institute, U.S. Treasury Conference on Exchange Markets in Washington, D.C. in February, 1976.

"Monetary Policy in a Two-Country Model of Macroeconomic Interaction under a Floating Exchange Rate," presented to the Conference on the Monetary Mechanism in an Open Economy in Helsinki, Finland in August, 1975.

"Intermediate Term Monetary and Fiscal Policy in a Consistent Dynamic Framework" (with Walter Dolds), presented at the Annual Meeting of the Western Economics Association, 1974.

13. List of Speaking Engagement 1993-Present

May 4-6, 1993	Remarks before Asian Development Bank: Manila, Philippines
May 13, 1993	Presentation before the Institutional Investor: Economic Growth & Trade Policies
June 7, 1993	Institute of International Bankers: Waldorf Astoria Hotel, N.Y.
August 4, 1993	Symposium on US-Japanese Financial and Trade Relations: University of Chicago
October 7, 1993	House Banking Subcommittee on Int'l Development, Finance, Trade & Monetary Policy: Sub-Saharan Africa: The Debt Dimension
October 22, 1993	Presidency Leadership Conference: Indianapolis, Indiana: NAFTA

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October 27, 1993 Senate Committee on Foreign Relations: US-Mexican Agreement on Border Environment Cleanup

October 29, 1993 Wall Street Journal: Conference on the Americas, N.Y.

November 11, 1993 Environmental Financial Advisory Board: Int'l Committee Meeting

November 17, 1993 Carter Center: NAFTA: National Hemispheric & Global Implications

January 12, 1994 Harvard Joint Center for Housing Studies Policy Advisory Board Business Mtg.

February 14, 1994 Remarks to European Institute

February 11, 1994 Remarks Before the Banker's Association for Foreign Trade

February 28, 1994 Global Legislators Organization for a Balanced Environment

February 26, 1994 Remapping the Global Economy

March 24, 1994 Address before Asian Society Corporate Luncheon: Financing the Future: US, Asia & the new World Order

April 4, 1994 Council on Foreign Relations: Economic Cooperation in the Asia-Pacific

April 6, 1994 Remarks: Securities Industry Association Media Seminar

April 19, 1994 House Committee on Banking, Finance & Urban Affairs re ESAF

May 4, 1994 Association of American Chambers of Commerce in Latin America

May 12 1994 African Development Bank in Kenya

June 13, 1994 Western Governors Association: The North American Development Bank and the Border Environment Cooperation Commission

June 21, 1994 Foreign Press Center

June 27, 1994 Working Group on Financial Services: US-Japan Framework for a New Economic Partnership Regulatory Reform & Competitiveness Basket

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July 1, 1994	Interview: the Nihon Zeizai Shimbun
July 1994	Indonesian Economists Association
July 8, 1994	American Chamber of Commerce in the Philippines: New International Economic Order
July 22, 1994	Remarks Bretton Woods Committee Panel: Do Orthodox Adjustment Policy Prescriptions Generate Sustained Growth
August 2, 1994	Gaston Sigur Center for East Asian Studies
September 20, 1994	54th Chicago World Trade Conference
September 26, 1994	Border Trade Alliance
October 24, 1994	Conference on an Integrated Strategy for Transport and Communications in China: Beijing, China
November 9, 1994	Currency Overlay Management Conference, New York
February 22, 1995	House Subcommittee on Western Hemisphere & Subcommittee on International Economic Policy & Trade of the Committee on Int'l Relations Re Mexico
March 9, 1995	Institute for Infrastructure Finance in Miami, Florida re: Private Sector Financing of Infrastructure projects in Latin America
April 6, 1995	House Banking Subcommittee on General Oversight & Investigation Re Mexico
May 4, 1995	Asian Development Bank Annual Meeting in Auckland, New Zealand
May 25, 1995	African Development Bank Annual Meeting in Abuja, Nigeria
June 12, 1995	Asian Pacific Council of American Chambers of Commerce
July 24, 1995	U.S./Korea Business Council

14. Qualifications:

In my current position as the Assistant Secretary of the Treasury for International Affairs I have responsibilities that encompass macroeconomic policy coordination, international monetary arrangements, financial services, trade, direct investment, and the multilateral development banks. In effect, I have been understudy for the position of Under Secretary for the past two years. I have had to assess policy options across this broad range of responsibilities, work with the Secretary and the Under Secretary to develop a consensus in the Administration and with the Congress, and reach agreements with other governments that further U.S. objectives. I will bring a solid training in economic analysis and more than twenty years of previous experience in applying this training to public policy problems in the Federal Reserve System, the staff of the President's Council of Economic Advisers and the Secretariat of the Organization for Economic Cooperation and Development (OECD). I have learned a lot about the practical aspects of policy making and about working with others to reach agreement, both in the U.S. policy community and in a multi-national context (quite different challenges).

I have also taken on substantial management responsibilities in the policy-oriented analytical staff of the Treasury, the Federal Reserve System and the OECD.

C. FUTURE EMPLOYMENT RELATIONSHIPS:

1. Will you sever all connections with your present employer, business firm, association or organization if you are confirmed by the Senate? Not applicable.
2. Do you have any plans after completing Government service to resume employment, affiliation or practice with your previous employer, business firm, association or organization? No
3. Has anyone made a commitment to employ your services in any capacity after you leave Government service? No
4. If confirmed, will you serve your full term of office?
Yes.

D. POTENTIAL CONFLICTS OF INTEREST:

1. Describe all financial arrangements, deferred compensation agreements, and other continuing dealings with business associates, clients, or customers. None
2. Indicate any investments obligations, liabilities, or other relationships which could involve potential conflicts of interest in the position to which you have been nominated. None
3. Describe any business relationship, dealing or financial transaction which you have had during the last ten years, whether for yourself, on behalf of a clients, or acting as an agent, that could in any way constitute or result in a possible conflict of interest in the position to which you have been nominated. None
4. Describe any activities during the past ten years in which you have engaged for the purpose of directly or indirectly influencing or affecting the administration and execution of law or public policy.

None outside official duties as a Treasury official, as an officer of the Federal Reserve Bank of New York and as a member of the Secretariat of the OECD.
5. Explain how you will resolve any potential conflict of

interest including any that may be disclosed by your responses to the above items. (Please provide a copy of any trust or other agreements.) In the event that the potential for a conflict of interest may arise in the future, I will immediately seek the advice of the appropriate ethics official at the Department of Treasury.

6. Written opinions should be provided directly to the committee by the General Counsel of the Agency to which you have been nominated and by the Director, Office of Government Ethics, Office of Personnel Management concerning potential conflicts of interest or any other legal barriers to your serving in this position. These opinions will be furnished promptly.

E. TESTIFYING BEFORE CONGRESS:

1. Are you willing to appear and testify before any duly constituted committee of the Congress on such occasions as you may be reasonably requested to do so? Yes.
2. Are you willing to provide such information as is requested by such committee? Yes

F. OTHER:

1. Provide the full details of any civil or criminal proceeding in which you were a defendant or any inquiry or investigation by the Federal, state, or local agency in which you were the subject of the inquiry or investigation. None
2. Give the full details of any proceeding, inquiry or investigation in which you were the subject of the proceeding, inquiry or investigation. None
3. Have you ever been convicted (including pleas of guilty or nolo contendere) of any criminal violation other than a minor traffic offense? No
4. Please advise the Committee of any additional information, favorable or unfavorable, which you feel should be considered in connection with your nomination. None

Jeffrey S. Shapiro
(Signature)

Sept 11, 1975
(Date)

JOHN BRIDAK
LOUISIANA

SENATE
COMMITTEE ON
ARMED SERVICES AND
ARMED FORCES

FRANCE

OFFICIAL COMMITTEE ON ARMS
TRAFFIC
1000 100-1000
100 100-1000

United States Senate
WASHINGTON, DC 20510-1000

December 1, 1995

(202) 512-2000

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(504) 581-2000

St. James Station
700 Avenue Perot Room 100
New Orleans, LA 70112
(504) 581-2001

Thibodaux Station
271 Avenue Perot Room 100A
Thibodaux, LA 70311
(504) 581-2000

West Bank Station
700 Avenue Perot Room 100B
New Orleans, LA 70112
(504) 581-2001

Quincy Station
(504) 581-2000

Honorable Jeffrey R. Shafer
Assistant Secretary of Treasury for International Affairs
1500 Pennsylvania Ave., N.W.
Washington, D.C. 20220

Dear Mr. Shafer:

Thank you for agreeing to help clarify OPIC policy and procedures regarding cancellation of its insurance contract with Freeport McMoRan Copper and Gold. Pursuant to our discussion at the hearing this morning, please provide answers to the following questions:

1. Were there any outside non-governmental parties that contacted OPIC regarding the Freeport McMoRan Copper and Gold insurance policy, and if so, identify these parties and describe the content and nature of their contacts?
2. Does an insured party have the right to be present when OPIC meets with outside non-governmental parties regarding issues that may directly lead to cancellation of its contract? If not, at what point is the insured able to address and refute the third party claims? Is it before the contract is canceled and if not, why not?
3. Can a \$100 million contract that requires OPIC board approval to be issued be canceled without board approval? If so, what are the policy reasons for not requiring such board approval?
4. If OPIC makes a written or oral representation to an insured that confidential business information submitted to OPIC will not be released under a Freedom of Information Act request, will OPIC honor its commitment to the insured? If not, why not?
5. If OPIC believes that an insured is in breach of its contract, does OPIC notify the insured and give the insured an opportunity to cure the alleged breach? Shouldn't OPIC policy allow for an insured to cure the alleged breach of contract prior to public release of proposals to cancel the insurance? If not, why not?


5. How promptly does OPIC notify an insured of a breach of contract?

6. Does OPIC have established guidelines for determining when a contract has been breached? Please submit these guidelines and indicate how those guidelines were followed in the Freeport Copper and Gold case?

7. As a member of the OPIC board, do you feel that OPIC management correctly handled the procedures for cancellation of the insurance and notification of that cancellation in this case?

I thank you and look forward to your answers.

Sincerely,


JOHN BREAUX
United States Senator

JB/mja



DEPARTMENT OF THE TREASURY
WASHINGTON

ASSISTANT SECRETARY

December 3, 1995

The Honorable John B. Breaux
516 Hart Senate Office Building
Washington, D.C. 20510-1803

Dear Senator Breaux:

I am writing in response to the questions concerning the Overseas Private Investment Corporation (OPIC), which you raised in a letter to me of December 1.

As you know, I am a member of the Board of Directors of OPIC. I was designated to serve on the 15-member Board by the President on November 30, 1993. The role of the Board (as set forth in the Board resolution enclosed at Tab 1, Attachment C) is "to provide overall policy guidance to the President" and review large projects from a policy perspective. A change in the policy of the corporation requires the action of the Board, a quorum of which is set by statute at eight members voting and present. The President of OPIC implements the corporation's programs.

Enclosed at Tab 1 are the written answers to questions one through six that you posed to me in your letter of December 1. These answers were provided to me at my request by OPIC. This material includes: (Attachment A) "OPIC Contacts with Non-governmental Organizations re Freeport/Indonesia" (which also addresses your request in my confirmation hearing for information concerning contacts between OPIC and non-governmental organizations and whether they influenced OPIC's decision to cancel the Freeport insurance contract); (Attachment B) "Chronology OPIC Monitoring of Freeport Indonesia Leading up to Termination of Insurance Coverage 1994-1995"; (Attachment C) OPIC Board of Directors Resolution (94)20; (Attachment D) OPIC's Freedom of Information Act implementing regulations; (Attachment E) OPIC's standard form of contract; and (Attachment F) OPIC's October 10, 1995, letter notifying Freeport that OPIC will terminate the insurance contract.

Your final question was specifically addressed to me:

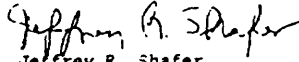
"As a member of the OPIC board, do you feel that OPIC management correctly handled the procedures for cancellation of the insurance and notification of that cancellation in this case?"

I do not feel that I have enough information at this time to respond definitively to this question. With further information, which may be supplied in the course of the arbitration, it may be

possible to give a clear answer to this question. These are complex matters dependent on fact-finding, which has not been completed at this point.

This material responds to the questions you posed to me in your letter. I am prepared to discuss this matter further with you.

Sincerely,


Jeffrey R. Shafer

Enclosures: as stated

1. Question: Were any outside nongovernmental parties that contacted OPIC regarding cancellation of its insurance contract with Freeport McMoRan Copper and Gold insurance policy, and if so, identify these parties and describe the content and nature of their contacts.

Answer: See attached chronology of OPIC's contacts with nongovernmental organizations regarding the Freeport contract (Attachment A)

2. Question: Does an insured party have the right to be present when OPIC meets with outside nongovernmental parties regarding issues that may directly lead to cancellation of its contract? If not, at what point is the insured able to address and refute the third party claims? Is it before the contract is canceled and if not, why not?

Answer: An insured party does not have the right to be present if OPIC meets with outside parties. OPIC consults with its insureds prior to cancellation of a contract. See attached chronology of OPIC contacts with Freeport McMoRan prior to cancellation of its contract (Attachment B).

3. Question: Can a \$100 million contract that requires OPIC board approval to be issued be canceled without board approval? If so, what are the policy reasons for not requiring such board approval?

Answer: Yes, such contracts can be canceled without board approval. OPIC Board of Directors Resolution (94)20 delegates authority to OPIC management to implement OPIC's programs, including the cancellation of an OPIC contract. A copy of that resolution is attached (Attachment C). Because all OPIC Board members have other full-time responsibilities, the OPIC Board meets only four times a year. This delegation is therefore both practical and necessary to the efficient handling of OPIC's business. OPIC could not fulfill its mandate if all decisions regarding the implementation of its programs had to be made at the Board level. The delegation of authority to management was an expression of the Board's confidence in OPIC management's ability to manage the day-to-day implementation of the agency's programs.

4. Question: If OPIC makes a written or oral representation to an insured that confidential business information submitted to OPIC will not be released under a Freedom of Information Act request, will OPIC honor its commitment to the insured? If not, why not?

Answer: OPIC complies with the Freedom of Information Act, including its own implementing regulations, a copy of which is attached (Attachment D).

5. Question: If OPIC believes that an insured is in breach of its contract, does OPIC notify the insured and give the insured an opportunity to cure the alleged breach? Shouldn't OPIC policy allow for an insured to cure the alleged breach of contract prior to public release of proposals to cancel the insurance? If not, why not?

Answer: A standard provision in OPIC's political risk insurance contracts provides that OPIC may permit an investor to cure a breach in a manner satisfactory to OPIC, but has no obligation to allow breaches to be cured. See section 9.04 in the attached copy of OPIC's standard form of contract (Attachment E). Unless required by law or court order, OPIC does not release to the public proposals to cancel insurance contracts prior to reaching a final determination to terminate.

5. (sic) Question: How promptly does OPIC notify an insured of a breach of contract?

Answer: Once OPIC has made a determination that a breach has occurred, OPIC notifies the insured.

6. Question: Does OPIC have established guidelines for determining when a contract has been breached? Please submit these guidelines and indicate how those guidelines were followed in the Freeport Copper and Gold case?

Answer: OPIC does not have guidelines, apart from the language of the contract itself and the circumstances of each case, for determining when a contract has been breached. A copy of OPIC's October 10, 1995 letter setting out the basis on which OPIC terminated the Freeport contract is attached (Attachment F).

OPIC Contacts with Non-Governmental Organizations re
Freeport/Indonesia

June 19, 1995: OPIC receives request from International Rivers Network (IRN) to meet with a delegation of representatives from Indonesian human rights organizations regarding issues related to the Freeport project in Indonesia. Schedules meeting on June 21, 1995

June 20, 1995: OPIC informs Freeport of its intent to meet with IRN delegation and requests background information regarding human rights issues associated with the project. Freeport sends OPIC public information package regarding incidents that took place at or near the mine in late 1994 and early 1995.

June 21, 1995: OPIC meets with IRN delegation. Discussion focused on human rights violations against local Irianese by the Government of Indonesia with alleged support of Freeport. This discussion was not directly pertinent to and did not in any way influence OPIC's decision to terminate its insurance contract with Freeport for breach of contract on environmental grounds.

July 18, 1995: OPIC receives Freedom of Information Act (FOIA) request from IRN regarding environmental impact of Freeport project.

July 21, 1995: OPIC notifies Freeport of FOIA request, begins processing request.

June 19-21, 1995: OPIC and Freeport discuss environmental issues. Freeport sends OPIC public information package on recent developments at the site

August 18, 1995: OPIC notifies Freeport by telephone that OPIC believes that the scope and environmental impacts of the project are inconsistent with the project as described in the application materials and contract. OPIC suggests that Freeport consider voluntary cancellation of coverage. Otherwise, OPIC would take steps to begin a process to terminate the contract. OPIC tells Freeport that it would have an opportunity to provide OPIC with additional information before termination becomes effective.

August 21, 1995: Freeport telephones OPIC to express objections to OPIC's findings and proposed action. Offers to provide OPIC with additional information. OPIC repeats request for RKL, RPL and other relevant documents.

August 22-September 11: OPIC and Freeport officials hold several conversations to clarify respective positions.

September 12, 1995: Freeport delivers RKL, RPL and other documents requested by OPIC. OPIC meets with Freeport to discuss contents of documents.

October 10, 1995: OPIC completes review of RKL-RPL and other documents provided by Freeport on September 12. Based on this review, OPIC confirms that Freeport's implementation of the project as well as the project's environmental impacts are inconsistent with information provided by Freeport prior to the issuance of the insurance contract. OPIC notifies Freeport by letter of intent to terminate coverage on October 31, 1995. Provides Freeport with an opportunity to cancel coverage on its own and to meet with OPIC to discuss the termination.

October 31, 1995: OPIC terminates coverage.

CHRONOLOGY
OPIC MONITORING OF FREEPORT INDONESIA LEADING UP TO
TERMINATION OF INSURANCE COVERAGE
1994-1995

May 11, 1994: OPIC notifies Freeport-McMoran ("Freeport") by letter of intent to monitor, pursuant to its contract and statutory mandate, the environmental, U.S. and development effects of its Indonesian mining project, insured by OPIC in 1990. OPIC requests cooperation in arranging site visit in July 1994 and a copy of Freeport's official Environmental Impact Assessment ("SEL") as approved by Government of Indonesia (GOI) in February 1994.

June 1, 1994: Freeport provides OPIC with copy of the SEL

June 22, 1994: Freeport sends OPIC copy of SEL Volume II (Appendix)

July 11, 1994: OPIC notifies Freeport of environmental issues to be reviewed during OPIC site visit

July 17-25, 1994: OPIC visits Freeport site in Irian Jaya, Indonesia, and meets with Freeport environmental staff both on-site and in Jakarta

August 3, 1994: OPIC sends letter to Freeport, citing "difficult and sensitive issues" identified during site visit and requests copies of documents and data referenced but not previously provided by Freeport.

August 23, 1994: Freeport sends OPIC some of the items requested in August 3 letter.

November 17, 1994: Freeport environmental management returns from travel, meets with OPIC to provide briefing on issues raised during and after site visit. OPIC requests copies of the formal environmental management plan (RKL) and the environmental monitoring plan (RPL)

March 20, 1995: Freeport and OPIC meet to discuss environmental issues. Freeport notifies OPIC that RKL and RPL have been approved by GOI on February 17, 1995. OPIC repeats request for copies of RKL and RPL.

April 17, 1995: Freeport provides OPIC with copies of various documents at OPIC request. RKL and RPL still outstanding.

ATTACHMENT C

BDR(94)20

BY THE BOARD OF DIRECTORS OF THE OVERSEAS PRIVATE INVESTMENT CORPORATION

BE IT RESOLVED, that the role of the Board of Directors of the Overseas Private Investment Corporation is to provide overall policy guidance to the President of the Corporation and to review from a policy perspective projects involving OPIC insurance where the lesser of OPIC's maximum insured amount or the amount of insured investment exceeds \$50 million and projects involving OPIC financing where the principal amount financed by OPIC exceeds \$30 million. Therefore the Board hereby authorizes, empowers, and directs the President of the Corporation to implement the Corporation's programs in accordance with all applicable statutory and other authorities and requirements and all policies adopted by the Board; provided, however, that any project exceeding the limits set forth above shall require the approval of the Board from a policy perspective.

Approved by the Board of Directors
on March 22, 1994

Anne H. Smart
Corporate Secretary

OVERSEAS PRIVATE INVESTMENT CORPORATION

ATTACHMENT D

Freedom of Information Act
(FOIA)
ProceduresPART 706—DISCLOSURE OF PUBLIC
INFORMATION

Subpart A—General

Sec.

- 706.11 Purpose and policy
706.12 Scope
706.13 Definitions.

Subpart B—Procedures and Fees

- 706.21 Information and records available to the public.
706.22 Information and records not generally available to the public.
706.23 Public access to information and records.
706.24 Notification of corporation action.
706.25 Extension of time.
706.26 Fees.
706.27 Administrative appeal of refusal to disclose.

Subpart C—Rights of Submitters of Confidential Business Information

- 706.31 Notification to submitters of business information.
706.32 Prior designation of business information as privileged or confidential.

AUTHORITY: The Freedom of Information Act, as amended, 5 U.S.C. 552.

SOURCE: 53 FR 11999, Apr. 13, 1988, unless otherwise noted.

Subpart A—General

§ 706.11 Purpose and policy.

(a) This part is adopted pursuant to the provisions of the Freedom of Information Act, 5 U.S.C. 552. It establishes the procedures governing public access to information contained in the files, documents and records of the Corporation. It also sets forth the procedures by which persons submitting written information to the Corporation may designate such information as exempt from disclosure under 5 U.S.C. 552(b)(4); and provides submitters of confidential business information with the right to be notified of a request for disclosure and to object to the disclosure of such information.

(b) This part reflects the policy of the Corporation to honor all requests for the disclosure of Corporation records provided that such disclosure does not adversely affect a legitimate public or private interest, is required and/or not prohibited by law or other authority, and would not impose an unreasonable burden on the Corporation. However, this part also reflects the view of the Corporation that the soundness and viability of many of its programs depend in large measure upon the willingness of applicants for Corporation assistance to provide full and reliable commercial, financial, technical and business information relating to the conduct of their affairs. Since the release of such information may imperil the competitive business position and credit standing of an applicant, it is essential that applicants be assured that confidential commercial or financial information which is submitted to the Corporation will not be disclosed to the public. This part is designed in part to give this assurance and thereby to encourage applicants to make complete disclosure of information bearing upon an application for OPIC assistance.

§ 706.12 Scope.

This part applies to all files documents records and information obtained or produced by officers and employees of the Corporation in the

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course of their official duties and/or under such officer or employee's control. Specific types of files, documents, records and items of information described herein are illustrative rather than exclusive. This part does not purport to describe or set forth every file, document, record or item of information which may or may not be disclosed or to incorporate every exemption from disclosure provided by law.

§ 706.15 Definitions.

(a) Except as may be otherwise provided in paragraph (b) of this section, all terms used in this part which are defined in the Freedom of Information Act, 5 U.S.C. 552 shall have the same meaning.

(b)(1) *Act* means the "Freedom of Information Act," as amended, 5 U.S.C. 552.

(2) *Business information* means trade secrets or confidential or privileged commercial or financial information obtained from any person, including but not necessarily limited to such information as is contained in individual case files relating to such activities as insurance, loans and loan guarantees.

(3) *Business submitter* means any person or entity which provides business information to the Corporation.

(4) *Commercial use request* refers to a request from or on behalf of one who seeks information for a use or purpose that is related to the commerce, trade, or profit interests of the requester or the person on whose behalf the request is made. The term *commercial use requester* refers to any person making a commercial use request. In determining whether a requester properly belongs in this category, the Corporation will determine the use to which a requester will put the documents requested. Where the Corporation has reasonable cause to doubt the use to which a requester will put records sought, or where that use is not clear from the request itself, the Corporation may seek additional clarification before assigning the request to a specific category.

(5) *Direct costs* means those expenditures which the Corporation actually incurs in searching for and duplicating (and in the case of commercial requesters, reviewing) documents to respond

to a request under the Freedom of Information Act.

(6) *Duplication* refers to the process of making a copy of a document available to the FOIA requester. Original will be ordinarily in the form of a photocopy of the original document.

(7) *Educational institution* refers to a preschool, a public or private elementary or secondary school, an institution of graduate higher education, an institution of vocational education, an institution of undergraduate higher education, an institution of professional education and an institution of vocational education, which operates a program or programs of scholarly research.

(8) *FOIA* means the Act.

(9) *Non-commercial scientific institution* refers to an institution that is not operated on a commercial basis and which is operated solely for the purpose of conducting scientific research, the results of which are not intended to promote any particular product or industry.

(10) *Representative of the news media* refers to any person actively gathering news for an entity that is organized and operated to publish or broadcast news to the public. The term "news" means information that is about current events or that would be of current interest to the public. Examples of news media entities include television or radio stations broadcasting to the public at large, and publishers of periodicals, but only in those instances when they can qualify as disseminators of "news" who make their products available for purchase or subscription by the general public. These examples are not intended to be all-inclusive. Moreover, as traditional methods of news delivery evolve (e.g., electronic dissemination of newspapers through telecommunications services), such alternative media would be included in this category. In the case of "freelance" journalists, they may be regarded as working for a news organization if they can demonstrate a solid basis for expecting publication through that organization, even though not actually employed by it. A publication contract would be the clearest proof, but the Corporation may also look to

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the past publication record of a requester in making this determination.

(11) *Review* refers to the process of examining documents located in response to a "commercial use request" under the Act (as the term "commercial use request" is defined in paragraph (b)(4) of this section) to determine whether any portion of any document located is permitted to be withheld. The term "review" includes processing any documents for disclosure, including doing all that is necessary to excise exempt portions and otherwise prepare them for release. Review does not include time spent receiving general legal or policy issues regarding the application of exemptions.

(12) *Search* includes all time spent looking for material that is responsive to request, including a page-by-page or line-by-line identification of material within documents. Line-by-line search will not be done when duplicating an entire document would prove to be the less expensive and quicker method of complying with a request.

Subpart B—Procedures and Fees

§706.21 Information and records available to the public.

(a) *General Corporation Information* and records in existence which are not exempt from disclosure by law are available for public inspection and copying in the manner specified in §706.23 of this part. A fee will be charged for the Corporation's expenses incurred in searching for, reviewing, duplicating, tabulating and compiling such information and records in accordance with the charging system and schedule of fees set forth in §706.26.

(b) *Materials available from the Office of Public Affairs.* For the convenience of the public, the following Corporation materials will be maintained and readily available from the Office of Public Affairs.

(1) Current issues of the Corporation's annual report, which report ordinarily sets forth:

(i) The names of recipients of Corporation insurance, loans, guarantees and other assistance during the fiscal year covered;

(ii) The kind and amount of assistance provided;

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(iii) The purpose of the approved assistance in general terms;

(iv) Statistical data on Corporation programs; and

(v) The audited financial statements of the Corporation.

(2) Pamphlets describing Corporation programs;

(3) Blank Corporation insurance forms currently in use; and

(4) Press releases.

(c) *Materials available from the Assistant General Counsel for Claims.* The Assistant General Counsel for Claims maintains public information files relating to the determination of claims filed under the Corporation's political risk insurance contracts and a list of all claims resolved by cash settlements or guarantees. Public access to such public information files will be granted in accordance with the procedures described in §706.23(b) of this part.

(d) *Materials available from the Corporate Secretary.* The Corporate Secretary maintains public information files containing the minutes of the public portions of the Board of Directors' meetings, as well as the resolutions of the Board of Directors. Public access to such information will be granted in accordance with the procedures described in §706.23(c) of this part.

§706.22 Information and records not generally available to the public.

The following kinds of files, documents, records, and items of information, among others, are generally not available to the public:

(a) *Business information* as that term is defined in §706.13(b)(2) of this part;

(b) Information provided in applications for political risk insurance, loans, loan guarantees and other Corporation assistance;

(c) Insurance policies, loan agreements and loan guarantee agreements relating to specific recipients of Corporation assistance;

(d) Information on declined, withdrawn or canceled applications for Corporation assistance;

(e) Inter-agency or intra agency communications not routinely available to a party in litigation with the Corporation, including, among other things, memoranda between officials or agencies, Corporation staff memoranda.

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opinions and interpretations prepared by Corporation attorneys or consultants, research studies performed internally or under contract for internal management purposes, and internal management reports; and

(f) Personnel files and related documents containing private or personal information.

§ 706.23 Public access to information and records.

(a) *Access to routinely available information.* Corporation facilities are available to the public between 8:45 a.m. and 4:30 p.m. (except for Saturdays, Sundays and official holidays) for obtaining copies of materials of the kind described in § 706.21(b). Persons wishing to obtain copies of such documents may request them by reporting in person to the Corporation receptionist, by telephoning the office of the Director of Public Affairs at (202) 467-7083 or by writing the Corporation to the attention of such officer.

(b) *Access to the public information files on claims.* Access by any member of the public to the Corporation's public information files on claim matters described in § 706.21(c) shall be granted by appointment only. Persons desiring such access may request an appointment by telephoning the Claims Assistant at (202) 467-7019 or by writing the Corporation to the attention of such officer. Although the Corporation will endeavor to grant an appointment at the time requested, some delay may be required at times because of the small size of the Corporation's staff. Persons desiring access to the public information files should seek an appointment at least twenty-four hours in advance.

(c) *Access to public information files on board matters.* Access by any member of the public to the Corporation's public information files described in § 706.21(d) shall be granted by appointment only. Persons desiring such access may request an appointment by telephoning the Corporate Secretary at (202) 467-7079 or by writing the Corporation to the attention of such officer.

(d) *Access to any records of the corporation not otherwise made available by the corporation to the public.* Access to records of the Corporation other than those described in paragraphs (b), (c),

and (d) of § 706.21, or the duplication of such records, shall be granted only upon specific written request to the Corporation addressed to the Vice President, Office of Corporate Communications, which shall be deemed not to have been received until actual receipt thereof by such officer or his designee. Such request shall, to the extent required under the law, accurately describe the records as to which access or duplication is requested including, by way of example only, the subject matter, format, date, and where pertinent, the country, project or person involved. Any request which does not describe such records in sufficient detail to permit the staff of the Corporation promptly to locate them shall be deemed not to have been received by the Corporation until such time as the requester has clarified the request to meet this standard. The Corporation will make every reasonable effort by telephone or by letter to assist the person making the request to be more specific in describing the document or information sought.

§ 706.24 Notification of corporation action.

Persons making a request for disclosure normally will be notified of the availability of the material within ten working days after the date of receipt of the request. The information or records subject to release shall be made available promptly provided the requirements of § 706.26 regarding payment of fees are satisfied. Any denial of a request in whole or in part shall be made in writing and such notification shall set forth the reasons for the denial. Any person whose request for information has been denied may appeal from such determination in accordance with the provisions of § 706.27 of this part.

§ 706.25 Extension of time.

Although the Corporation will make every effort to respond to an initial request for disclosure of information within ten working days, there may be delays because of the Corporation's limited staff. Moreover, in certain circumstances the period of time within which the Corporation will respond to an initial request will be extended by

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an additional ten working days. Circumstances which would necessitate such an extension include the following:

(a) The need to search for and collect requested records from storage facilities located outside Corporation premises;

(b) The need to search for, collect, and appropriately examine a voluminous amount of separate and distinct records which are demanded in a single request;

(c) The need for consultation with another agency having a substantial interest in the determination of the request, or among two or more components of the agency having substantial subject-matter interest therein; or

(d) The need to notify the submitter of confidential business information of the request and to allow a reasonable period for objection to disclosure per §706.31 of this part.

It is the practice of the Corporation to inform a requester in writing or by telephone of any anticipated delays.

§706.36 Fees.

(a) *General policy.* A fee representing direct costs shall be charged for services rendered by the Corporation under § U.S.C. 552(a) in furnishing information to members of the public, in accordance with the provisions of paragraph (c) of this section and as required or permitted by law.

(b) *Anticipated fees.* A letter requesting a document or information should specifically state that all costs chargeable under this section will be paid or, alternatively that they will be paid up to a specified limit. If the letter makes no reference to anticipated fees, and the request is expected to involve fees in excess of \$25, or it is estimated by the Corporation that the fee will exceed the dollar limit specified in the request, the Corporation will notify the requester of the estimated fee promptly upon receipt of the request. The request will not be deemed to have been received until the Corporation receives a reply from the requester stating its willingness to pay the estimated fee.

(c) *Uniform fee schedule.* Fees will be charged in accordance with the category of the requester and as specified

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below. All photocopying costs will be assessed at the rate of \$0.15 per page.

(1) *Commercial use requesters.* "Commercial use requesters," as that term is defined in §706.13 of this part, will be charged the direct cost of all time spent searching for and reviewing for release the records requested. Search costs are \$13 per hour. Review costs are \$33 per hour. Search and review costs will be assessed even though no records may be found or, after review, there is no disclosure of records. All pages photocopied will be assessed at the rate set out above.

(2) *Educational and non-commercial scientific institution requesters.* The Corporation will provide records to "educational institutions" or "non-commercial scientific institutions," as those terms are defined in §706.13 (b)(7) and (b)(8) of this part, for the cost of reproduction alone. No fee will be charged for the costs of photocopying the first 100 pages of documents encompassed by a request. The fee for all pages photocopied will be assessed at the rate set out above. To be eligible for inclusion in this category, requesters must show that the request is being made under the auspices of a qualifying "educational institution" or "non-commercial scientific institution" and that the records are sought in furtherance of scholarly (if the request is from an educational institution) or scientific (if the request is from a non-commercial scientific institution) research.

(3) *Representatives of the news media.* The Corporation shall provide records to "representatives of the news media," as that term is defined in §706.13(b)(10) of this part, for the cost of reproduction alone. No fee will be charged for the costs of photocopying the first 100 pages of documents encompassed by a request. The fee for all pages photocopied will be assessed at the rate set forth above. To be eligible for inclusion in this category a requester must be a "representative of the news media" and his or her request must not be made for a commercial use. In reference to this class of requester, a request for records supporting the news dissemination function of the requester shall not be considered to

be a request that is for a commercial use.

(4) *All other requesters.* The Corporation will provide documents to requesters who do not fit into any of the categories in paragraphs (c)(1), (3), and (3) of this section for the cost of any search time in excess of two hours and for photocopying any documents in excess of 100 pages. The fee for search time will be assessed at the rate set forth in paragraph (c)(1) of this section. The fee for all pages photocopied will be assessed at the rate set forth above.

(d) *Non-payment of fees.* (1) The Corporation will begin assessing interest charges on the 31st day following the day on which the requester is advised of the fee charged, such interest charges to accrue as of the date of such notification. Interest will be at the rate prescribed in 31 U.S.C. 3711.

(2) Where a requester has previously failed to pay a fee charged in a timely fashion (i.e. within 30 days of the billing date), the Corporation will require the requester to pay the full amount owed plus any applicable interest as provided above, and to make an advance payment of the full amount of the estimated fee before the Corporation begins to process a new request or a pending request from the requester.

(3) When the Corporation acts under paragraph (c)(1) or (3) of this section the administrative time limits prescribed in subsection (a)(6) of the Act (i.e. 18 working days from receipt of initial request and 20 working days from receipt of appeals from initial denial plus permissible extensions of these time limits) will begin only after the Corporation has received fee payments described above.

(e) *Advance payments.* Where the Corporation estimates or determines that allowable charges that a requester may be required to pay are likely to exceed \$500 the Corporation will require a requester to make an advance payment of the entire fee before continuing to process the request.

(f) *Waiving or reducing fee.* (1) In accordance with section (4)(A)(ii) of the Act the Corporation will furnish documents without charge or at reduced charges if disclosure of the information is in the public interest because it is likely to contribute significantly to

public understanding of the operations or activities of the government and is not primarily in the commercial interest of the requester.

(i) In determining whether disclosure of the information is in the public interest because it is likely to contribute significantly to public understanding of the operations or activities of the government, the Corporation will consider the following factors:

(A) The subject of the request: Whether the subject of the requested records concerns the operations or activities of the government;

(B) The informative value of the information to be disclosed: Whether the disclosure is likely to contribute to an understanding of government operations or activities;

(C) The contribution to an understanding of the subject by the general public likely to result from disclosure: Whether disclosure of the requested information will contribute to public understanding; and

(D) The significance of the contribution to public understanding: Whether the disclosure is likely to contribute significantly to public understanding of government operations or activities.

(ii) In determining whether disclosure of the information is not primarily in the commercial interest of the requester, the Corporation will consider the following factors:

(A) The existence and magnitude of a commercial interest: Whether the requester has a commercial interest that would be furthered by the requested disclosure; and, if so

(B) The primary interest in disclosure: Whether the magnitude of the identified commercial interest of the requester is sufficiently large, in comparison with the public interest in disclosure, that disclosure is primarily in the commercial interest of the requester.

(3) The requester in all cases has the burden of presenting sufficient evidence or information to justify the requester waiver or reduction.

(g) *Restrictions on assessing fees.* With the exception of requesters seeking documents for a commercial use, section (4)(A)(iv) of the Act, as amended, requires agencies to provide the first 100 pages of duplication and the first

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two hours of search time without charge. Moreover, this section prohibits agencies from charging fees to any requester, including commercial use requesters, if the cost of collecting the fee would be equal to or greater than the fee itself. These provisions work together so that, except for commercial use requesters, the Corporation will not begin to assess fees until after providing the free search and reproduction. For example, for a request that involved two hours and ten minutes of search time and resulted in 100 pages of documents, the agency will determine the cost of only 10 minutes of search time and only two pages of reproduction. If this cost is equal to or less than the cost of processing the fee collected, there will be no charge to the requester.

(b) *Documents made available free of charge.* No fee will be charged to any requester for any brochure or annual report readily available from the Office of Public Affairs pursuant to §706.31(b).

(i) *Inspection.* Persons may inspect and copy in the Corporation's facilities specifically requested documents other than those which are not generally available under §706.22 or exempt by law without charge except for search, duplication, tabulation, or compilation fees which may be otherwise payable.

(j) *Other provisions—(1) Charges for unsuccessful search.* The Corporation will assess charges for time spent searching, even if the Corporation fails to locate the records or if records located are determined to be exempt from disclosure.

(2) *Aggregating requesters.* When the Corporation reasonably believes that a requester or group of requesters is attempting to break a request down into a series of requests for the purpose of evading the assessment of fees, the Corporation will aggregate any such requesters and charge accordingly.

(3) *Effect of the Debt Collection Act of 1962 (Pub. L. 87-365).* The Corporation will use the authorities of the Debt Collection Act, including disclosure to consumer reporting agencies and use of collection agencies, where appropriate, to encourage repayment.

(4) *Remittances.* (i) All payments under this section shall be in the form of a personal check, bank draft drawn

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on a bank located in the United States, or cash. Remittances shall be made payable to the order of United States Treasury and mail to the Director of Public Affairs, Office of Corporate Communications, Overseas Private Investment Corporation, 1616 M Street, NW., Washington, DC 20527. The Corporation will assume no responsibility for cash which is lost in the mail.

(ii) A receipt for fees paid will be given only upon request.

(iii) Where it is anticipated that the fees chargeable under this section will amount to more than \$25, and the requester has not indicated in advance a willingness to pay fees as high as are anticipated, the requester will be promptly notified of the amount of the anticipated fee or such portion thereof as can readily be estimated. In appropriate cases an advance deposit may be required. The requester is at any time welcome to confer with the Director of Public Affairs in order to formulate the request in a manner which will reduce the fee and meet the needs of the requester. A request will not be deemed to have been received until the requester has agreed to pay the anticipated fee and has made an advance deposit if one is required.

§706.27 Administrative appeal of refusal to disclose.

(a) *Who may appeal.* Any person whose request for information or records has been denied in whole or in part shall be entitled to submit a written appeal to the Corporation.

(b) *Time for appeal.* An appeal from a denial may be filed with the Corporation at any time within 20 days following the date of receipt of the initial determination, in cases of denials of an entire request, or from the date of receipt of any records being made available under an initial determination in cases of partial denials.

(c) *Form of appeal.* An appeal shall be by letter addressed to the Vice President & General Counsel, Overseas Private Investment Corporation, 1616 M Street, NW., Washington, DC 20527. The envelope and the letter setting forth the appeal shall be clearly marked in capital letters: FREEDOM OF INFORMATION ACT APPEAL. The letter shall reasonably describe the informa-

tion or records requested and such other pertinent facts and statements as the appellant may deem appropriate. An appeal submitted in an envelope which is not addressed to the Vice President & General Counsel will not be deemed to have been received until such time as the appeal is forwarded to such officer.

(d) *Final corporation decision.* Final Corporation decisions on appeals from denials of requests for information or records shall be made in writing by the Vice President & General Counsel or his/her designee within twenty working days after the date of receipt of the request, unless an extension of up to ten working days has been deemed necessary in accordance with the procedures set forth in § 706.25 of this part. The 10-day extension may be applied to the response to the initial request or to the appeal, or to both, but in no event shall the extension exceed a total of ten working days. If the decision upholds the denial of the request, the appellant shall be notified in writing, which notice shall set forth the reasons for upholding the previous denial. If the Vice President & General Counsel or his/her designee acts favorably on the appeal, the information or records requested shall be made available promptly provided the requirements of § 706.26 regarding payment of fees are satisfied.

Subpart C—Rights of Submitters of Confidential Business Information

§ 706.31 Notification to submitters of business information.

(a) Except as provided in paragraph (c) of this section, the Director for Public Affairs will promptly notify a "business submitter" (as that term is defined in § 706.13(b)(3) of this part) that a request for disclosure has been made for any "business information" (as that term is defined in Section 706(b)(2) of this part) provided by such submitter, and shall describe the nature and scope of the request and advise such submitter of its right to submit written objections in response to the request. Such notice of intent to disclose shall be made to the submitter in writing and shall state the intent of the Corporation to disclose the business in-

formation on the expiration of 10 working days from the receipt of the notice.

(b) The business submitter may, within 10 working days of the forwarding of the Corporation's notification under paragraph (a) of this section, submit to the attention of the Director for Public Affairs, with copy to FOIA Counsel, written objection to the disclosure of the information requested, specifying the grounds upon which it is contended that the information should not be disclosed. In setting forth such grounds, the submitter shall specify to the maximum extent feasible the basis of its belief that the nondisclosure of any item of information requested is mandated or permitted by law. In the case of information which the submitter believes to be exempt from disclosure under subsection (b)(4) of the Act, the submitter shall demonstrate why the information is considered a trade secret or commercial or financial information that is privileged or confidential. Information provided by a business submitter pursuant to this paragraph may itself be subject to disclosure under the Act. The 10 working day period for providing the Corporation with a statement objecting to the disclosure of information encompassed by an FOIA request may be extended by the Corporation upon receipt of a written request for an extension. Such written request shall set forth the date which the statement is expected to be completed and shall provide reasonable justification for the extension. The Corporation's approval of a request for an extension shall not be unreasonably withheld.

(c) The Corporation will not ordinarily notify the submitter pursuant to paragraph (a) of this section if:

(1) The Corporation determines, prior to giving such notice, that the request should be denied;

(2) The disclosure is required by law (other than pursuant to 5 U.S.C. 552); or

(3) The information has been published or otherwise made available to the public, including material described in § 706.21.

(d) The Corporation shall carefully consider the objections of the submitter made pursuant to paragraph (b) of this section and shall promptly notify the submitter of any final determina-

§ 704.32

tion regarding the release of the information requested.

§ 704.33 Prior designation of business information as privileged or confidential.

In order to facilitate the Corporation's determination of whether to disclose information submitted to it a submitter may designate information which it regards as confidential business information entitled to exemption from disclosure under 5 U.S.C. § 552(b)(1). Such designation may be made at the time such information is submitted to the Corporation or at any time thereafter. Each document, record or item of information to be so designated shall be clearly marked in capital letters: **PRIVILEGED BUSINESS INFORMATION**. In accepting documents, records or any item of information so marked, the Corporation shall not be bound by such designation.

ATTACHMENT E

Form 234 KGT 12-85 (Second Revised)
OPIC Contract of Insurance No.

OVERSEAS PRIVATE INVESTMENT CORPORATION

CONTRACT OF INSURANCE

Against

as defined below,

between the Overseas Private Investment Corporation ("OPIC") and

a corporation organized and existing under the
laws of the State of

(the "Investor").

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1.02 Promiss.

OPIC promises that if acts occur during the term of this contract which satisfy the requirements for coverage in Article ____, ____, or ____, OPIC will pay the Investor the amount of compensation provided in Article ____, ____, or ____, in accordance with the procedures in Article VIII.

The Investor promises to comply with the duties in Article IX. If the Investor violates any of those duties, the Investor may lose rights, including the right to compensation.

Amendments to Articles I through IX may be contained in Article X.

1.03 Maximum Aggregate Compensation.

OPIC will not pay compensation under this contract in an aggregate amount that exceeds \$ _____.

1.04 Full Faith and Credit.

The full faith and credit of the United States of America is pledged to secure the full payment by OPIC of its obligations under this contract.

1.05 Term.

This contract shall enter into force on the date it has been signed by OPIC and the Investor and shall terminate ____ years afterward unless terminated earlier (§8.07; §9.02).

1.06 Premiums and Coverage Elections.

The Investor shall elect amounts of coverage (§8.06) and pay premiums on or before each annual anniversary of the effective date of the contract.

The coverages and premiums for the first period shall be as follows:

II-1

Article II - Inconvertibility - Scope of Coverage.

2.01 Inconvertibility of Local Currency. Local currency shall be deemed inconvertible and compensation shall be payable, subject to the exclusions (§2.02) and limitation (§3.02), if neither the Investor nor the foreign enterprise is able legally

(a) to convert earnings from or returns of the insured investment into United States dollars through any channel during the _____ days immediately prior to a claim to OPIC, except at an exchange rate that is less favorable than the then-prevailing exchange rate described under §3.01.2, or

(b) to transfer such converted earnings to the United States during such period.

2.02 Exclusions. No compensation for inconvertibility shall be payable if

(a) Pre-existing Restrictions.

(1) An investor in comparable circumstances would have been unable legally (a) to convert local currency into United States dollars on the date of this contract or (b) to transfer such dollars to the United States on the date of this contract; and

(2) The Investor knew or should have known about the restriction; or

(b) Investor Diligence. The Investor has not made all reasonable efforts to convert the local currency into United States dollars or to transfer such dollars to the United States through all direct and indirect legal mechanisms reasonably available; or

(c) Reconversions. The local currency represents funds which were previously converted into another currency; or

(d) Provocation. The preponderant cause is unreasonable action attributable to the Investor, including corrupt practices.

(e) Use Restricted by Expropriation. The use of such local currency is restricted by an expropriatory action (§4.02).

Article IV - Expropriation - Scope of Coverage.

4.01 Total Expropriation. Compensation is payable for total expropriation (§5.01), subject to the exclusions (§4.03) and limitations (§5.04), if an act or series of acts satisfies all of the following requirements:

- (a) the acts are attributable to a foreign governing authority which is in *de facto* control of the part of the country in which the project is located;
- (b) the acts are violations of international law (without regard to the availability of local remedies) or material breaches of local law;
- (c) the acts directly deprive the Investor of fundamental rights in the insured investment (Rights are "fundamental" if without them the Investor is substantially deprived of the benefits of the investment.); and
- (d) the violations of law are not remedied (§9.01.9) and the expropriatory effect continues for six months.

4.02 Expropriation of Funds. Compensation is payable for an expropriation of funds that constitute a return of the insured investment or earnings on the insured investment (§5.02) if an act or series of acts

- (a) satisfies the governmental action, illegality and duration requirements (§4.01(a), (b) and (d)); and
- (b) directly results in preventing the Investor from
 - (1) repatriating the funds; and
 - (2) effectively controlling the funds in the country in which the project is located.

4.03 Exclusions. No compensation for expropriation shall be payable if

- (a) Evocation. The preponderant cause is unreasonable action attributable to the Investor, including corrupt practices.
- (b) Government Action. The action is taken by the foreign governing authority in its capacity or through its powers as a purchaser, supplier, creditor, shareholder, director or manager of the foreign enterprise.

V-2

of assets to realizable value. OPIC may adjust financial statements to reflect the effect of events that occur before the expropriatory effect commences, such as events of loss which are later confirmed.

4. Other Compensation and Retained Property. OPIC may reduce compensation by the amount of

(a) compensation received from other sources on account of the loss (excluding compensation payable under other insurance policies, except to the extent necessary to prevent the investor from recovering more than the amount of the loss as recognized under any of the policies under which compensation is due, without regard to policy limits); and

(b) the book value of commercially viable property which remains subject to the investor's effective disposition and control after the expropriatory effect commences (unless OPIC requires the investor to assign the property (§8.02)); and

(c) any obligation the investor is relieved of by the expropriation.

The reduction shall be proportionate to the extent that these items are attributable to the insured investment.

5. Start-up Expenses. If the book value of the insured investment of a new foreign enterprise in the development stage is less than the insured amount originally contributed, the accumulated loss will be disregarded if

(a) the foreign enterprise is newly formed for the principal purpose of undertaking the project,

(b) the foreign enterprise is a going concern as of the date the expropriatory effect commences,

(c) that date is within three years of the date this contract is issued, and

(d) it is clear that no adjustment to book value is necessary by reason of obsolescence or permanent reduction in recoverable values of productive facilities or assets.

5.04 Limitations. Compensation shall not exceed any of the following limitations:

(a) Current Insured Amount. The Current Insured Amount (§8.06) on the date the expropriatory effect commences;

VI-1

Article VI - Political Violence - Scope of Coverage.

6.01 Loss Due to Political Violence. Compensation is payable, subject to the exclusions (§6.02) and limitations (§7.02), if political violence is the direct and immediate cause of the permanent loss (including loss of value by damage or destruction) of tangible property of the foreign enterprise used for the project.

"Political violence" means a violent act undertaken with the primary intent of achieving a political objective, such as declared or undeclared war, hostile action by national or international armed forces, civil war, revolution, insurrection, civil strife, terrorism or sabotage. However, acts undertaken primarily to achieve labor or student objectives are not covered.

6.02 Exclusions. No compensation for political violence shall be payable

(a) Excluded Property. For loss of precious metals, gems, works of art, money or documents;

(b) Minimum Loss. If the amount of compensation payable would be less than \$5,000;

(c) Reasonable Protective Measures. If the loss results from the failure to take reasonable measures to protect or preserve the property; or

(d) Provocation. If the preponderant cause of the loss is unreasonable action attributable to the Investor, including corrupt practices.

VII-2

7.03 Investor's Share. "Investor's share" means the ratio that the equity owned by the Investor bears to the total equity of the foreign enterprise.

7.04 Book Value of Insured Investment.

(a) Book Value. Book value is based on financial statements maintained by the Investor in accordance with §9.01.6 for the foreign enterprise. However, OPIC may

- (1) conform the financial statements to principles of accounting generally accepted in the United States; and
- (2) make adjustments (§7.04(b)).

OPIC shall be bound by the Investor's choice among generally accepted accounting principles, if the choice is consistent with the Investor's own accounting, unless such choice results in a substantial overstatement of the fair market value of the insured investment or the foreign enterprise as an independent entity.

(b) Adjustments.

(1) Investments of Property. Non-cash items contributed to the investment shall be adjusted if necessary to reflect the fair market value of the items furnished at the time of contribution to the project, plus freight, installation and other reasonable direct costs incurred in furnishing the items to the project.

(2) Non-Insured Contribution. Any direct or indirect contribution (and retained earnings thereon) by the Investor after the insured investment is made shall be deducted from book value of the foreign enterprise.

(3) Special Accounting Rules. Dealings among related parties shall be adjusted if necessary to reflect transactions as they would have occurred had they been at arm's length, and forgiveness of obligations shall be disregarded. Each entity shall be accounted for as if it were a separate person for income tax purposes, and the effect of tax shifting arrangements shall be disregarded. Obsolescence or permanent reduction in recoverable values shall be recognized by adjusting the book value of assets to realizable value. OPIC may adjust financial statements to reflect the effect of events that occur before the loss of property, such as events of loss which are later confirmed.

VIII-1

Article VIII - Procedures.

8.01 Application for Compensation. An application for compensation shall demonstrate the Investor's right to compensation in the amount claimed. The Investor shall provide such additional information as OPIC may reasonably require to evaluate the application. The Investor may amend or withdraw an application for compensation at any time, but the right to recover compensation will be lost for any acts covered by a withdrawn application.

(a) There is no time limit on application for inconvertibility compensation (Article III); however, compensation shall not exceed the Current Insured Amount applicable in accordance with §3.02.

(b) An application for expropriation compensation (Article V) must be filed within six months after the Investor has reason to believe that all requirements of Article IV have been satisfied.

(c) A notice demonstrating the Investor's entitlement to political violence compensation for loss of assets (Article VI) must be filed within six months of the loss. The notice together with proof of the amount of compensation due will be considered a completed application, which must be filed within three years of the loss. The Investor may request adjusted cost compensation (§7.01(a)) and later amend the application within three years of the loss to elect replacement cost compensation (§7.01(b)).

(d) OPIC shall have a reasonable time in which to complete processing of any application for compensation.

8.02 Assignment to OPIC. Within sixty days after OPIC notifies the Investor of the amount of compensation OPIC will pay under expropriation or political violence coverage, and concurrent with payment, the Investor shall transfer to OPIC (a) for expropriation, all interests attributable to the insured investment (§4.01) or funds (§4.02) as of the date the expropriatory effect commences, including claims arising out of the expropriation, or (b) for political violence, claims arising out of the loss due to political violence (§6.01). The Investor shall transfer the interests and claims free and clear of, and shall agree to indemnify OPIC against, claims, defenses, counterclaims, rights of setoff and other encumbrances (except defenses relating to the expropriation).

VIII-3

8.06 Election of Amount of Coverage. By prior notice to OPIC effective as of the next due date for premiums (§1.06), the Investor may increase or decrease the Current Insured Amount or decrease the Maximum Insured Amount for any coverage for the remainder of the contract term, subject to the following limitations:

(a) Current Insured Amount shall not exceed Maximum Insured Amount;

(b) Maximum Insured Amount shall be reduced automatically by compensation paid by OPIC; Current Insured Amount shall also be reduced for the remainder of the annual election period to which the claim relates (§3.02, §5.04(a), or §7.02(a));

(c) For expropriation coverage, Current Insured Amount shall not be less than the amount of compensation which would be due under §5.01 unless a lower Maximum Insured Amount has been elected;

(d) For political violence coverage (§7.01(a)), Current Insured Amount shall not be less than the lowest of

- (1) the Investor's share of original cost of the property; or
- (2) the Investor's share of fair market value of the property; or
- (3) book value of the insured investment (§7.02(c), §7.04)

unless a lower Maximum Insured Amount has been elected or OPIC and the Investor have agreed to a lower amount to take into account coverage under another OPIC contract.

8.07 Termination. The Investor may terminate this contract effective as of any premium due date unless the premium is already paid. However, termination shall not affect any rights or obligations of either party relating to prior periods.

8.08 Legal and Miscellaneous. This contract shall be governed by the law of the District of Columbia, its conflict of law rules excepted. This contract constitutes the complete agreement between the parties, superseding any prior understandings. This contract may be modified, or its terms waived, only in writing.

IX-1

Article IX - Investor's Duties.9.01 Duties.

1. Representations and Project Execution. The Investor understands that OPIC has issued this contract based on statutory policy goals (22 U.S.C. §2191) as well as underwriting considerations. All statements made by the Investor to OPIC in connection with this contract are true and complete, and the investment and the project shall be carried out as described.

2. Ownership and Eligibility. The Investor shall at all times remain the beneficial owner of the insured investment and shall remain eligible for OPIC insurance as

(a) a citizen of the United States; or

(b) a corporation or other association created under the laws of the United States, its states or territories, of which more than 50% of both the total interest and of each class of shares is beneficially owned by citizens of the United States; or

(c) an entity created under foreign law in which a 95% interest is owned by entities eligible under (a) or (b).

3. Self-Insurance. The Investor shall continue to bear the risk of loss of at least 10% of the book value of its interest in the foreign enterprise.

4. Assignment. The Investor shall not assign this contract, or any of its rights, without OPIC's written consent, which will not be withheld unreasonably.

5. Premiums. The Investor shall pay the premiums for this contract in accordance with Article I. In the event that premiums are not paid when due, the Investor shall be in default but may cure this default within sixty days by paying the premiums plus interest at a rate of 12% per annum.

6. Accounting Records.

(a) The Investor shall maintain in the United States true and complete copies of the records, books of account and current financial statements for the foreign enterprise necessary to compute and substantiate compensation, including

(1) records documenting the investment;

(2) annual balance sheets;

IX-3

9. Preservation, Transfer and Continuing Cooperation. At OPIC's request, the Investor shall promptly assign rights with respect to the investment, as required by §8.02. Prior to the assignment of rights required by §8.02, the Investor shall, in consultation with OPIC, take all reasonable measures to preserve property, to pursue available administrative and judicial remedies, and to negotiate in good faith with the governing authority of the country in which the project is located and other potential sources of compensation. After a transfer of rights or delivery of local currency, in exchange for reimbursement of reasonable out-of-pocket expenses, the Investor shall take all actions reasonably requested by OPIC to assist OPIC in preserving the property and rights transferred to OPIC and in prosecuting related claims.

10. Other Agreements. The Investor shall not enter into any agreement with any foreign governing authority with respect to compensation for any acts within the scope of coverage (Article II, IV or VI) without OPIC's prior written consent.

9.02 Default. Material breach or misrepresentation by the Investor shall constitute default, and OPIC may:

- (a) refuse to make payments to the Investor;
- (b) recover payments made; and
- (c) terminate this contract effective as of the date of the breach by giving notice to the Investor.

9.03 Non-Waiver. Neither OPIC's failure to invoke its rights, nor its acceptance of premiums, shall constitute waiver of any of its rights, even though OPIC knows of the Investor's breach.

ATTACHMENT 1

COPY



100 New York Avenue, N.W.
Washington, D.C. 20537-0001
202/326-8400
FAX: (202) 428-9856

October 10, 1995

Henry A. Miller, Esq.
Vice President and General Counsel
Freeport-McMoRan Copper & Gold Inc.
1615 Poydras Street
New Orleans, LA 70112

Re: OPIC Policy of Contractors and Exporters Insurance No. C592

Dear Mr. Miller:

Pursuant to Article 7.02(c) of Policy of Contractors and Exporters Insurance No. C592 ("the Contract"), the Overseas Private Investment Corporation ("OPIC") hereby notifies Freeport-McMoRan Copper Company, Inc. ("Freeport-McMoRan") that OPIC will terminate the Contract and underlying policy effective October 31, 1995.¹

As set forth below, OPIC will terminate the Contract in response to Freeport-McMoRan's continuing material breaches of its duties as set forth in Article 7.01(1) and other provisions of the Contract. Additionally, OPIC is terminating the Contract as an exercise of its statutory charge under the Foreign Assistance Act of 1961² to ensure that overseas investment projects do not pose unreasonable or major environmental hazards or cause the degradation of tropical forests in developing countries. OPIC has discovered as a result of its monitoring visit in July of 1994, a review of the data subsequently provided by Freeport-McMoRan, conversations with Freeport-McMoRan personnel, and a consideration of the various studies of the impact of Freeport's activities on the rivers, forests and environment of Irian Jaya, that Freeport

¹ OPIC recognizes that Article 7.02(c) provides that termination of the Contract is effective "as of the date of the breach," which clearly predated this notification. However, OPIC is extending the effective date of the termination to provide Freeport with an opportunity to discuss this matter, make alternative insurance arrangements if necessary and/or voluntarily terminate the policy.

² 22 U.S.C. § 2191, et seq.

McMoRan's expansion of the P.T. Freeport/Indonesian project ("Project") has caused substantial adverse environmental impacts which compel OPIC to deny all further coverage of this project.

Freeport-McMoRan's material breaches of the Contract include, but are not limited to, its failure to perform the Project as it was defined in the Contract and as Freeport described it in the application materials it submitted to OPIC. For example, Freeport-McMoRan represented to OPIC prior to the effective date of the Contract that the maximum ore throughput of the Project would be 52,000 dry metric tons per day. However, OPIC's monitoring activities reveal that Freeport has increased its ore production to over 100,000 dry metric tons per day (and plans to increase ore throughput to as high as 160,000 tons per day). This change in the scope of work has caused the discharge of tailings to increase significantly beyond the volumes anticipated by OPIC, resulting in the massive deposition of tailings in the Ajkwa River and the sheet flow of tailings that has degraded a large area of lowland rainforest between the Ajkwa River and Minajerwi River. These and other effects of the Project have posed an unreasonable or major environmental, health, or safety hazard in Irian Jaya.³

If OPIC had, prior to the issuance of the Contract, understood that the Project's ore and tailings production rates would be at such high levels (and that such unreasonable or major environmental, health, or safety hazards would result), the agency clearly would not have issued the subject policy.

Finally, OPIC is terminating the Contract as an exercise of its statutory duty under the Foreign Assistance Act of 1961 to ensure that Freeport's implementation of the Project does not pose unreasonable or major environmental hazards to, or cause the degradation of the tropical forests in, Irian Jaya.⁴ As noted, OPIC has determined through its monitoring activities that Freeport's implementation of the Project, and especially its tailings management and disposal practices, have severely degraded the rainforests surrounding the Ajkwa and Minajerwi Rivers. Additionally, the Project has created and continues to pose unreasonable or major environmental, health or safety hazards with respect to the rivers that are being impacted by the tailings, the surrounding terrestrial ecosystem, and the local inhabitants.⁵ Accordingly, in addition

³ Indeed, contrary to representations made by Freeport in the 1990 Environmental River Study, it appears that tailings have been discharged to fluvial systems other than the Ajkwa River system (e.g., massive sheeting has occurred to the Minajerwi River system). The River Study specifically indicated that the Minajerwi River would not be impacted in this manner.

⁴ See 22 U.S.C. §§ 2191(3) and 2191(n). OPIC notes that Freeport-McMoRan was specifically apprised that OPIC's statutory goals serve as a fundamental basis for the Contract and underlying policy. (See Contract § 7.01(1).)

⁵ OPIC's monitoring activities and the data supplied by Freeport indicate that numerous other unreasonable or major environmental, health, or safety hazards may exist as a result of the Project. These include, but are not limited to, problems associated with acid mine drainage from overburden and

Henry B. Miller Esq.
October 11, 1995
Page 3

to and consistent with the agency's contractual right to terminate the Contract on the basis of Freeport's defaults. OPIC's refusal to provide further coverage for the Project is grounded on statutory environmental concerns.

If, prior to October 31, 1995, Freeport-McMoRan wishes to voluntarily terminate the policy as provided in Article 6.08 of the Contract, that option still remains open. Additionally, although OPIC is convinced that it has no alternative but to terminate the Contract, OPIC is willing to provide Freeport with an opportunity to meet with the agency and its outside counsel prior to the effective date to discuss the termination.

OPIC currently is processing a *pro rata* refund of the policy premium for 1995-96 that Freeport-McMoRan submitted to the agency on September 29, 1995.

Please contact me at (202) 336-8420 if you have any questions regarding this matter.

Sincerely,



Robert C. O'Sullivan
Associate General Counsel
for Insurance & Claims

tailings; the concentration, mobilization and bioavailability of toxic metals in the tailings; the degradation of surface and groundwater quality as a result of the Project's operations; the increased sedimentation, sheeting and other adverse effects that have been caused by discharges of higher percentages of coarser grain tailings; the impacts of a 1990 log jam that occurred on the Aikwa River; and the mismanagement of solid and hazardous wastes at the site. OPIC explicitly reserves the right to base the termination on these additional environmental bases or any other ground as provided in Freeport-McMoRan's policy repudiation or in Article 7.02 of the Contract if subsequently obtained data or information so indicates

STATEMENT OF MELISSA T. SKOLFIELD
BEFORE THE SENATE FINANCE COMMITTEE
NOVEMBER 30, 1995

Thank you, Mr. Chairman. Before I begin, I would like to thank Senator Bumpers for that gracious introduction. I would also like to introduce the members of my family who are with me this morning: my husband, Frank Curtis; my sister, Deirdre; and her husband Tom Patterson.

It is truly a privilege to be here today. Having worked in the Senate for six years as Senator Bumpers' press secretary, I am honored to appear before this committee as you consider my nomination to be the Assistant Secretary for Public Affairs at the Department of Health and Human Services.

For the last two years, I have served as Deputy Assistant Secretary for Public Affairs Policy and Strategy at HHS, and currently serve as the Acting Assistant Secretary for Public Affairs. In that position I have advised department officials on public affairs matters, developed communications strategies for departmental initiatives, and coordinated the activities of public affairs specialists throughout the department and our many agencies. I have also had the opportunity to learn about the wide variety of departmental services and programs that help so many American families.

Prior to joining Senator Bumpers' staff, I spent two years in the House of Representatives as a press secretary and legislative assistant to Congressman Mike Andrews of Texas, while finishing a masters degree in public affairs at George Washington

University. And before moving to Washington, D.C., I worked for a public relations firm in Houston, where I obtained my undergraduate degree from Rice University.

Altogether, I have more than fifteen years of experience in communications and public affairs, most of it gained while working for the U.S. Congress. If confirmed by the Senate, my goal as Assistant Secretary for Public Affairs is simple: to help inform the American people about the scientific discoveries, preventive health practices, and HHS-administered programs that can help them lead longer and healthier lives.

As you well know, the Department of Health and Human Services and its many agencies have an extraordinary impact on the lives of America's citizens. While the position to which I have been nominated is not a policy-making position, I believe our work to provide women with up-to-date information about breast cancer, to help senior citizens recognize the importance of an annual flu vaccine, and to help young parents understand the risk factors for infant mortality can have a tremendous impact. Should this committee act favorably on my nomination, I look forward to continuing to work on issues like these with you and your staff. This is a serious and inspiring challenge, and I am grateful for the opportunity to continue my public service at HHS.

Thank you, and I would be happy to answer any questions you may have.

SENATE FINANCE COMMITTEE
OUTLINE OF INFORMATION REQUESTED BY NOMINEES

Please provide three copies of your typed responses to Kelly Cordes, Chief Clerk, 219 Dirksen Senate Office Building, Washington, D.C. 20510.

A. BIOGRAPHICAL

1. Name: Melissa T. Skolfield
2. Address: 2011 37th St. N.W.
Washington, D.C. 20007
3. Date and Place of Birth: June 25, 1958. New Orleans, La.
4. Marital Status: married
5. Names and Ages of Children: none
6. Education: Loyola University, 1975-1976
(part-time study while attending high school)
Rice University, 1976-1980
B.A., Economics and Behavioral Science, 1980
George Washington University, 1984-1987
M.A., Public Affairs, 1987
7. Employment Record:
Staff Assistant, Bank of Louisiana, New Orleans, Louisiana, May 1978 - August 1978.
Teller, University State Bank, Houston, Texas, October 1978 - May 1980.
Assistant Bookkeeper, Harvard Cooperative Society Store, Cambridge, Massachusetts, September 1980 - December 1980.

Teller, Harvard University Employees Credit Union, Cambridge, Massachusetts, January 1981 - July 1981.

Account Executive, McDaniel & Tate Public Relations, Houston, Texas, September 1981 - August 1984.

Press Secretary/Legislative Assistant, Representative Mike Andrews, Washington, D.C., July 1985 - August 1987.

Staff Assistant, J.J. Pickle Campaign, Austin, Texas, October 1986 - November 1986.

Press Secretary, Senator Dale Bumpers, Washington, D.C., September 1987 - July 1993.

Press Secretary, Dale Bumpers Campaign Committee, Little Rock, Arkansas, October 1992- November 1992.

Deputy Assistant Secretary for Public Affairs, Policy and Strategy, Department of Health and Human Services, Washington, D.C. July 1993 - present.

8. Government Experience:

Press Secretary/Legislative Assistant, Representative Mike Andrews, Washington, D.C. July 1985 - August 1987.

Press Secretary, Senator Dale Bumpers, Washington, D.C., September-1987 - July 1993.

Deputy Assistant Secretary for Public Affairs, Policy and Strategy, Department of Health and Human Services, Washington, D.C. July 1993 - present.

9. Memberships

1988-1995 Senate Press Secretaries Association
Board of directors 1988-1994. President 1992-1993. Vice President 1991-1992. Secretary 1990-1991. Treasurer 1989-1990.

1985-1988 Association of House Democratic Press Assistants

1983-1985 Public Relations Society of America

1982-1987 National Women's Political Caucus
 1992-1994 National Women's Political Caucus

1982-1984 Houston Women's Lobby Alliance
 Executive Committee Member/Public Relations Chair

10. Political Affiliations and Activities:

I am a registered voter in Washington, D.C. I have held no political office or membership with any election committee during the last ten years. I have worked on the reelection campaigns of Representative J.J. Pickle (1986) and Senator Dale Bumpers (1992), and volunteered at the Democratic National Conventions in 1988 and 1992.

11. Honors and Awards: none

12. Published Writings: none

13. Speeches:

As part of my official duties at the Department of Health and Human Services, I made a speech to the Texas chapter of the Public Relations Student Association of America on April 16, 1994.

14. Qualifications:

I have 15 years of experience in public affairs with an emphasis on health and human services issues, as well as significant experience in media relations and public communications. I have a B.A. in Economics, an M.A. in Public Affairs, a working knowledge of federal legislative and regulatory processes, and eight years of experience in the U.S. Congress.

For the last two years, I have served as Deputy Assistant Secretary for Public Affairs Policy and Strategy at the Department of Health and Human Services. In that position I have advised department officials on public affairs matters, developed communications strategies for departmental initiatives, and coordinated the activities of public affairs specialists throughout the department. I believe this experience has given me a thorough understanding of the department's mission and its programs.

My experience in both the public and private sectors has included developing comprehensive communications strategies; supervising public outreach campaigns; writing news releases, statements and columns; supervising press conferences; arranging television, radio and print interviews; producing targeted mailings and public service announcements; and researching relevant issues.

I believe my education, public affairs experience, and work for the United States Senate and House of Representatives give me the necessary qualifications for the position of Assistant Secretary for Public-Affairs in the Department of Health and Human Services.

B. FINANCIAL DATA

The information supplied in this heading will not be published in the record of the hearing on your nomination but it will be retained in the Committee's files.

Please separate your responses to this section from your responses to the other sections of this questionnaire.

1. Please provide a complete, current financial net worth statement which itemizes in detail all assets (including, but not limited to, bank accounts, real estate, securities, trusts, investments, and other financial holdings) all liabilities (including, but not limited to debts, mortgages, loans and other financial obligations of yourself, your spouse, and other immediate members of your household). All assets and liabilities should be separately itemized and fully described.

Please see Attachment B-1.

2. List sources, amounts and dates of all anticipated receipts from deferred income arrangements, stock options, executory contracts and other future benefits which you expect to derive from current or previous business relationships, professional services and firm memberships, employers, clients, and customers.

Please see Attachment B-2.

3. Please provide the Committee with one copy of your Federal income tax returns for each of the last three years.

Please see Attachment B-3.

C. FUTURE EMPLOYMENT RELATIONSHIPS:

1. Will you sever all connections with your present employer, business firm, association or organization if you are confirmed by the Senate?

I am currently employed at the Department of Health and Human Services, and serve as a Deputy Assistant Secretary and Acting Assistant Secretary for Public Affairs. I will relinquish the position when confirmed.

2. Do you have any plans after completing Government service to resume employment, affiliation or practice with your present employer, business firm, association or organization?

Not applicable

3. Has anyone made a commitment to employ your services in any capacity after you leave government service?

No

4. If confirmed, will you serve your full term of office?

Yes

D. POTENTIAL CONFLICTS OF INTEREST

1. Describe all financial arrangements, deferred compensation agreements, and other continuing dealings with business associates, clients, or customers.

I have no financial arrangements, deferred compensation agreements, or other continuing dealings with business associates, clients, or customers that could present a conflict of interest.

2. Indicate any investments, obligations, liabilities, or other relationships which could involve potential conflicts of interest in the position to which you have been nominated.

I have no investments, obligations, liabilities, or other relationships which could involve potential conflicts of interest in the position to which I have been nominated.

3. Describe any business relationship, dealing or financial transactions which you have had during the last ten years, whether for yourself, on behalf of a client, or acting as an agent, that could in any way constitute or result in a possible conflict of interest in the position to which you have been nominated.

I have had no business relationship, dealing or financial transactions during the last ten years that could constitute or result in a possible conflict of interest in the position to which I have been nominated.

4. Describe any activity during the past ten years in which you have engaged for the purpose of directly or indirectly influencing or affecting the administration and execution of law or public policy.

During the last ten years, I have been employed by the Department of Health and Human Services, the United States Senate, and the United States House of Representatives. In those positions, I have endeavored to further the public policy goals of those for whom I worked. I have not engaged in any outside activity for the purpose of directly or indirectly influencing or affecting the administration and execution of law or public policy.

5. Explain how you will resolve any potential conflict of interest including any that may be disclosed by your responses to the above items. (Please provide a copy of any trust or other agreements.)

I will consult with the Department of Health and Human Services' Designated Agency Ethics official about unforeseen conflicts of interest and recuse myself from these matters if necessary.

6. Written opinions should be provided directly to the Committee by the General Counsel of the Agency to which you have been nominated and by the Director, Office of Government Ethics, Office of Personnel Management concerning potential conflicts of interest or any other legal barriers to your serving in this position.

The Department of Health and Human Services' Special Counsel for Ethics and Designated Agency Ethics Official has submitted an opinion letter to the Committee stating that no conflicts of interest exist.

E. TESTIFYING BEFORE CONGRESS:

1. Are you willing to appear and testify before any duly constituted committee of the congress on such occasions as you may be reasonably requested to do so?

Yes

2. Are you willing to provide such information as is requested by such committee?

Yes

F. OTHER:

1. Provide the full details of any civil or criminal proceedings in which you were a defendant or any inquiry or investigation by the Federal, State, or local agency in which you were the subject of the inquiry or investigation.

I have not been involved in any civil or criminal proceeding in which I was a defendant or any inquiry or investigation by the Federal, State, or local agency in which I was the subject of the inquiry or investigation.

2. Give the full details of any proceeding, inquiry or investigation in which you were the subject of the proceeding, inquiry or investigation.

Other than the routine background check required for my nomination, I have not been the subject of any proceeding, inquiry or investigation.

3. Have you ever been convicted (including pleas of guilty or nolo contendere) of any criminal violation other than a minor traffic offense?

No

4. Please advise the Committee of any additional information, favorable or unfavorable, which you feel should be considered in connection with your nomination.

I believe I would bring highly relevant experience and education to the position of Assistant Secretary for Public Affairs of the Department of Health and Human Services. In addition, I have a personal commitment to the highest standards of integrity and public service.

MSkelfield
Signature

9/11/95
Date

JOHN WARNER
SENATOR
ARMED SERVICES
ENVIRONMENT AND PUBLIC WORKS
RAILS AND ADMINISTRATION
AGRICULTURE, NUTRITION, AND FORESTRY
SMALL BUSINESS

John Warner
United States Senate

November 30, 1995

200 FEDERAL SENATE OFFICE BUILDING
WASHINGTON, DC 20540-5001
202-512-2171

CONSTITUENT SERVICE OFFICE

200 SENATE TRADE CENTER
CORPUS CHRISTI, TX 78401-3804
361-844-2044

2000 STONEY CREEK DRIVE
CORPUS CHRISTI, TX 78410-3800
361-774-0000

200 FEDERAL BUILDING
F.O. BOX 8077
ANNAPOLIS, MD 21403-8077
410-293-7400

200 FIRST UNION BANK BUILDING
111 EIGHTH AVENUE STREET
RICHMOND, VA 23219-1700
703-620-2000

The Honorable John Warner
Statement Supporting the Confirmation of
David C. Williams of Virginia
To Be Inspector General of
The Social Security Administration

Mr. Chairman, I am pleased to express my support of President Clinton's nomination of Mr. David C. Williams of Alexandria, Virginia, to be the next Inspector General of the Social Security Administration.

I believe you will find that Mr. Williams' impressive resume speaks for itself. He is a decorated Vietnam Veteran having been awarded the Bronze Star and the Vietnam Medal of Honor for his service from 1967 to 1970 as a Special Agent of U.S. Military Intelligence.

Following the war, he further added to his investigative skills as a Special Agent of the U.S. Secret Service, performing extensive undercover work, executive protection assignments, and criminal financial investigations.

He has served under seven Presidents in the best tradition of non-partisan career federal service, bringing his experience and expertise to bear upon investigations in both organized crime and labor racketeering.

Currently, and since 1989 under President George Bush, he has served as Inspector General of the U.S. Nuclear Regulatory Commission. President Clinton is fortunate indeed that Mr. Williams has agreed to take on the enormous responsibility of Inspector General for the Social Security Administration.

Mr. Chairman, from the information provided for my perusal, I can only conclude that Mr. Williams is an outstanding nominee. The vast public trusts of Social Security, Social Security Disability and the Supplemental Security Income Program merit the most skilled and careful manager we have in eliminating fraud and safeguarding the income security of the Nation's aged and disabled retirees.

I urge that my valued constituent David C. Williams be expeditiously confirmed for this important post.

**Statement and Biographical Information
David Williams, nominee to serve as Inspector General for the Social
Security Administration
Confirmation Hearing before the Senate Finance Committee
November 30, 1995**

Mr. Chairman and members of the Committee:

My name is David Williams. I appreciate the opportunity to come before you today as the nominee to serve as Inspector General for the Social Security Administration.

The role of the Inspector General for SSA is very important and takes on significant challenges. I am both willing and honored to assume this responsibility. I believe that the 28 years that I have spent conducting and supervising criminal investigations have provided useful preparation for taking on such challenges. Those investigations often involved financial crimes and other frauds perpetrated against the people of the United States and were very similar to the violations currently being investigated at the Social Security Administration.

If confirmed for this position, Mr. Chairman, it will not be my first involvement with Social Security or as an Inspector General. In the late 1970's, as a Special Agent for the Secret Service, I worked undercover for a year in southeast Chicago gathering evidence to arrest and prosecute criminal rings involved in the large scale theft and forgery of Treasury checks and other financial instruments. Several of the investigations involved employees of government welfare organizations and postal employees who perpetrated fraud and insider theft schemes. A good deal of that work also involved Social Security and Supplemental Security Income benefit checks. There is special satisfaction in bringing to justice people who have stolen from funds set aside for the Nation's poor and disabled and from the trust funds of the Nation's elderly.

In related experience, I have served as both Special Agent-in-Charge and Director of Operations for the Office of Labor Racketeering at the U.S. Department of Labor. In that capacity, I conducted and led hundreds of investigations involving union health funds and pension funds that were being raided by organized crime figures in La Cosa Nostra and Chinese

criminal groups. I grew familiar with a host of criminal schemes for defrauding these large vulnerable trust funds.

I believe the Government's presence in this arena came to serve as an effective deterrent for criminals and for employees who considered stealing from those funds. I believe that kind of tough enforcement program can also have a positive effect in protecting Federal disability and pension funds. If my nomination is confirmed by you, I intend to work hard to institute a strong and effective enforcement program to protect the Federal funds set aside for disabled Americans and the money that Americans have contributed into the Social Security program.

The other positions I have held include service as supervisory staff investigator for the President's Commission on Organized Crime. In that capacity, I personally conducted and supervised investigations into various criminal enterprises of La Cosa Nostra and other groups involved in organized crime. I have served as Director of the Office of Special Investigations for the General Accounting Office, during which time I

supervised and directed complex and often classified assignments for U.S. Senate and House committees.

Most recently, for the last six years, I have served as the Inspector General of the Nuclear Regulatory Commission. In that capacity, I gained valuable experience in leading that organization's audit efforts to assure that the Commission's programs were operated efficiently and effectively and were free from fraud. I also worked actively to assist the Commission in implementing the Government Performance and Results Act, an initiative begun by Chairman Roth in his previous capacity as Chairman of the Senate Governmental Affairs Committee.

To reiterate, the position of Inspector General at SSA carried with it imposing challenges. It is one of our Nation's largest public institutions, with 1,300 offices across the country. As an agency that distributes over \$330 billion in benefits annually, there is substantial potential to defraud SSA benefit programs. If confirmed, my job will be to ensure that the SSA manages its programs efficiently and effectively, and to protect Social

Security from fraud and abuse. This is a job to which I will bring all of my experience, my energy and my commitment to uphold the public trust.

Thank you and I will be pleased to answer any questions you may have.

RESUME

DAVID C. WILLIAMS

RESIDENCE

6214 Florence Lane
Alexandria, VA 22310
(703) 329-2342

PLACE OF WORK

U.S. Nuclear Regulatory Commission
Office of the Inspector General
11545 Rockville Pike
North Bethesda, Maryland 20852
(301) 415-5930

PERSONAL

Born January 7, 1947, resides in Alexandria, VA.

WORK RECORD ANALYSIS

1989 to Present	Inspector General - Office of the Inspector General, U.S. Nuclear Regulatory Commission, Rockville, MD
1986 - 1989	Director - Office of Special Investigations, General Accounting Office; Washington, D.C.
1984 - 1986	Director of Operations - Office of Labor Racketeering, U.S. Department of Labor; Washington, D.C.
1983 - 1984	Supervisory Staff Investigator - President's Commission on Organized Crime (De.sil)
1979 - 1984	Special Agent-in-Charge - Office of Labor Racketeering, Department of Labor; New York, Cleveland. Supervisory Special Agent - Chicago
1975 - 1979	Special Agent - United States Secret Service - Chicago
1967 - 1970	Special Agent - U.S. Military Intelligence; Vietnam, St. Louis.

PROFESSIONAL ASSOCIATIONS

Former President - Association of Federal Investigators

OTHER**Teaching Experience**

Loyola University, Chicago, Illinois
 Canadian Police College, Ottawa, Canada
 FBI Academy, Quantico, Virginia
 Belleville Area College, Belleville, Illinois
 American University, Washington, D.C.
 Council of Excellence in Government, Washington, D.C.
 Chairman of the Investigative Standards and Training
 Subcommittee, President's Council on Integrity and
 Efficiency

EDUCATION

Advanced Certificate, Education, University of Illinois
 Masters of Education, University of Illinois
 Bachelor of Science, Social Science, Southern Illinois
 University

TRAINING

U.S. Military Intelligence Academy, Ft. Holabird, Maryland
 Federal Law Enforcement Academy, Glynco, Georgia
 U.S. Secret Service Training Academy, Washington, D.C.

SUMMARY OF EXPERIENCE

Inspector General, Office of the Inspector General, U.S. Nuclear
 Regulatory Commission (NRC)

Confirmed by the U.S. Senate following nomination by
 the President to become the first Inspector General of
 the NRC. Directs staff of criminal investigators,
 auditors, and inspectors in detecting fraud, waste and
 abuse and in assuring efficient and effective program
 administration within the NRC. Formulates and executes
 the budget providing annual budgetary testimony before
 Congress. Oversees preparation of the Agency Financial
 Statement Audit annually.

Director, Office of Special Investigations, U.S. General Accounting Office

Directed a staff of 48 investigators and auditors in conducting complex investigative assignments for the Committees of the U.S. Senate and House of Representatives. Findings were presented in classified and unclassified reports and in testimony Congressional hearings.

Director of Operations, Office of Labor Racketeering, U.S. Department of Labor

Directed a staff of 100 federal agents who conducted U.S. Department of Justice Organized Crime Strike Force investigations of Labor Racketeering violations. Earlier positions included a Supervisory Special Agent in the Chicago field office and the Special Agent-in-Charge of the field offices in Cleveland and later in New York City.

Supervisory Staff Investigator, President's Commission on Organized Crime

Personally conducted and supervised investigations and inquiries into various criminal enterprises of the La Cosa Nostra and other organized criminal groups. Specifically conducted investigations involving money laundering, Asian Organized Crime, and Labor Racketeering.

Special Agent, United States Secret Service

Personally conducted Treasury investigations and executive protection duties for U.S. and foreign dignitaries. Duties included financial criminal investigative skills and extensive undercover work.

Special Agent, United States Military Intelligence

Conducted intelligence collection duties and counterintelligence investigations in Vietnam and St. Louis. Awarded U.S. Bronze Star and Vietnamese Medal of Honor.

REFERENCES

- Eljay Bowron, Director, U.S. Secret Service, (202) 435-5700
- Neil Eggleston, Associate Counsel, Office White House Counsel, (202) 456-7901
- Charles Powsher, Comptroller General of the General Accounting Office, (202) 512-5500

**SENATE FINANCE COMMITTEE
OUTLINE OF INFORMATION REQUESTED BY NOMINEES**

A. BIOGRAPHICAL:

1. Name: David Curtis Williams
2. Address: 6214 Florence Lane
Alexandria, Virginia 22310
3. Date and place of birth: 01/07/47
Granite City, IL
4. Marital Status: Single
5. Names and ages of children: None
6. Education: Southern Illinois University
Bachelor of Science
08/71
- University of Illinois
Masters Degree of Education
06/73
- University of Illinois
Advanced Certificate in
Education
10/75
7. Employment record: U.S. Secret Service
Chicago, IL
10/75 - 02/79
- Office of Labor Racketeering
(U.S. Department of Labor)
Chicago, IL
Cleveland, OH
New York, NY
Washington, DC
02/79 - 10/86
- President's Commission on
Organized Crime
Washington, DC
01/84 - 09/84
- Office of Special
Investigations
General Accounting Office
Washington, DC
10/86 - 12/89

7. Employment record: Office of Inspector General
Nuclear Regulatory Commission
Rockville, MD
12/89 - Present
8. Government Experience: Same as above
9. Memberships: Federal Investigators
Association (Formerly
Association of Federal
Investigators
(President)
- Association of Former U.S.
Secret Service Agents
(Member)
10. Political affiliations
and activities: None
11. Honors and Awards: Five Medals
Two Written Citations in the
U.S. Army, including the
Vietnamese Medal of Honor and
the Bronze Star
12. Published writings: None
13. Speeches: I gave various speeches within
government agencies and
Federal Investigative
Organizations. I have no
copies of these speeches.
14. Qualifications:

I believe my professional background is well positioned to
make a useful contribution to the Social Security
Administration and to its Office of Inspector General.

My civilian federal career began as a Secret Service Agent
in Chicago. I conducted several hundred investigations
involving Social Security and SSI treasury checks. I did
the undercover work for a year long "sting" operation that
was the largest such operation ever conducted by the Secret
Service. Several thousand financial instruments were
recovered including Social Security and SSI checks, as well
as, stocks and bonds.

At the U.S. Department of Labor's (DOL), Office of Inspector General (OIG), I investigated fraud in union pension funds. For several years I conducted investigations of the Teamster's Central States Pension Fund in Chicago. Several of my investigations were used by the Department of Justice when they seized the International Brotherhood of Teamsters in 1988. In a separate investigation I led the team of federal investigators that indicted International Teamster President Jackie Presser, and his Vice President, Harold Freidman along with several organized crime figures.

I also served as a senior investigator with the President's Commission on Organized Crime, where among other things I examined state-of-the-art money laundering techniques often needed in large financial crime schemes.

When the U.S. General Accounting Office (GAO) created an Office of Special Investigations, I was selected as its Director. While there, our office investigated the Iran-Contra Affair, the Marine Security Guard Espionage case, and impeachment investigations of federal judges Nixon and Hastings. Numerous conflict of interest and abuse of office cases involving high level executive branch officials were investigated as well.

I testified before Congress with some frequency at GAO and in my current position. Also, in both positions I established new offices. Establishing a new office requires a unique set of qualifications that I believe I possess. Lastly, within both positions I developed skills in preventing improper conduct by high level officials that often result in disastrous consequences for the individual and for the agency.

In my current position as with all IGs, I have overseen an audit section that examined the agency's financial systems and programs. Building on my earlier knowledge of the audit profession from the DCL/OIG and at the GAO, I have developed a good level of confidence in overseeing audit programs.

My familiarity and experience in pension fund operations and entitlement fraud provided me with the kind of specialized skills that especially interested me in seeking this new position. I also have a strong general understanding of the IG position from having served as an Inspector General.

C. FUTURE EMPLOYMENT RELATIONSHIPS:

1. Yes
2. No
3. No
4. Yes

D. POTENTIAL CONFLICTS OF INTEREST:

1. None
2. None
3. None
4. None
5. I have none
6. I understand

E. TESTIFYING BEFORE CONGRESS:

1. Yes
2. Yes

F. OTHER:

1. I was one of several defendants in a civil law suit filed by a Mortgage Broker when I refinanced my residence in 1992. The broker submitted additional bills to several borrowers after we settled on our mortgage loan. We had all sworn to HUD that we would not pay such fees and I believed that I did not owe additional monies. The broker dropped charges against everyone after our initial appearance in Fairfax County Court.

I have been the subject of a number of complaints concerning my work and the work of my office while serving as the Inspector General of the Nuclear Regulatory Commission. These complaints and their resolutions are maintained by the President's Council on Integrity and Efficiency where they were submitted or referred by me.

2. Same as above
3. No
4. None

David C. Williams
Signature

8/21/95
Date

