

An Unusual Meeting Of Chief Executives

Smith of FedEx, a Donor, Saw Clinton in Oval Office

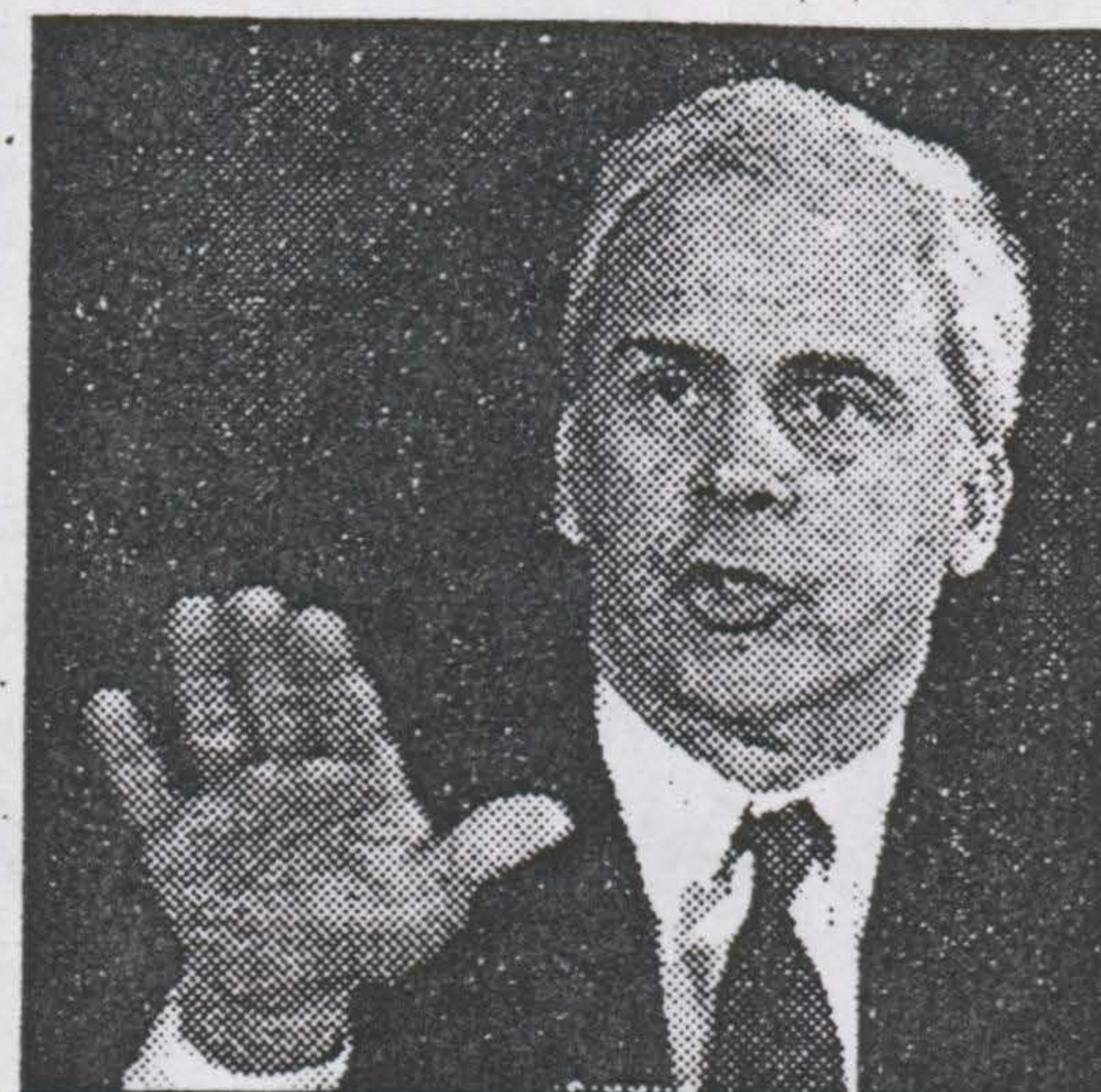
By Bob Woodward and Ann Devroy
Washington Post Staff Writers

Over the lunch hour on Friday, Aug. 23, 1996, Frederick W. Smith, the chairman of Federal Express, met for 45 minutes with President Clinton in the Oval Office to discuss a problem that was costing his company \$100 million a year in lost revenue.

Using charts and graphs, Smith pressed Clinton to impose sanctions on the Japanese government, which has refused to allow Federal Express to deliver cargo from Japan to other lucrative Asian markets, including the People's Republic of China.

Laura D'Andrea Tyson, who headed the National Economic Council in the White House and was in charge of coordinating the administration's policy on the Federal Express-Japan issue, had opposed the one-on-one meeting with Smith in the Oval Office. Officials said Tyson was concerned that imposition of sanctions on Japan could lead to a trade war between Washington and Tokyo.

But Tyson's concerns were over-ridden when Thomas F. "Mack" McLarty, Clinton's first White House chief of staff and one of his liaisons with the business community, agreed to arrange the Oval Office



FILE PHOTO/THE WASHINGTON POST

Federal Express's Frederick W. Smith met Clinton for 45 minutes in 1996.

meeting with Smith. Such meetings between the president and executives of a single corporation are extremely rare, White House officials said.

During an eight-month period before and after the meeting with Clinton, Smith and Federal Express contributed \$275,000 to the Democratic National Committee. Less than three

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weeks after the Smith meeting with Clinton, on Sept. 10, 1996, Federal Express gave \$100,000 of the \$275,000 to the DNC.

In a telephone interview yesterday, Smith, who is also chief executive officer of FedEx, said the money he and Federal Express contributed to the DNC had nothing to do with the meeting he had with Clinton. "There is absolutely no connection between fund-raising and a meeting with the president or any Federal Express issues," Smith said, adding that he had requested the meeting to point out flaws in what he called the administration's "lily-livered" failure to stand up to the Japanese, who he says are not honoring their treaty obligations to the United States.

"It's precisely why I wanted the meeting, so the president would overrule his own policymaking apparatus," Smith said.

Smith quoted the president as saying in the meeting, "If I impose sanctions [during the presidential campaign], they would think I was grandstanding for political purposes." Smith said Clinton then pledged that after the election he would solve the problem and quoted Clinton as saying, "We are committed to solving this problem."

Smith added, "He understood we were getting screwed and [that] the failure to take on the Japanese showed the ineptitude of U.S. foreign policy."

U.S. negotiators are to meet with Japanese representatives next week to discuss the flight restriction issue, and Smith said the United States will present its strongest position to date, short of sanctions. Smith said he believed this meant Clinton was delivering on his promise to solve the problem.

Administration officials said the Oval Office meeting with Smith had nothing to do with contributions he and Federal Express made to the DNC and that the contributions had no effect on the administration's policy on the Japan issue. The officials acknowledge that it is unusual for the president to have a one-on-one meeting with a chief executive pressing a special business interest without competitors present, and it is general policy to avoid meetings in which Clinton hears only one side from a single-advocate business interest.

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"I can say with some certainty that Mr. McLarty rarely set up meetings between the president and business leaders," said Lanny J. Davis, the White House special counsel. Asked for records or numbers of such one-on-one meetings, Davis said, "We just don't know how this and other meetings came to be."

Federal Express officials were delighted by the access they were given to the president. "Fred went on and on about the issue," said Kenneth R. Masterson, the FedEx general counsel who attended the Oval Office meeting with Smith. "I worried we were overstaying our welcome. We had charts and graphs... and Fred talked for perhaps 35 to 45 minutes. At the end, the president asked some very intelligent questions."

Masterson said he was not sure who requested the \$100,000 contribution the company made to the DNC on Sept. 10. "No one from the administration asked for a contribution," Masterson said. The other contributions were solicited by other Democratic officials or officeholders, Masterson said.

Clinton has said he cannot recall having made any fund-raising calls from the White House. Clinton did attempt to call Smith four months before the August meeting in the Oval Office, but he failed to reach the FedEx chairman, and it was unclear whether the call was made for the purpose of soliciting campaign funds.

The Democratic effort to reach out to Smith and Federal Express began in late 1995. A DNC call sheet prepared for Vice President Gore on Dec. 1, 1995, requested that he call George Tagg, the Federal Express head of government affairs, and ask him "to contribute an additional \$100,000 for the DNC Media Fund." Tagg was the chief lobbyist on the Federal Express-Japan issue and spent his time "pounding away" on the matter, according to Smith. Gore spokeswoman Ginny Terzano said the request to call Tagg was one among at least 100 from the DNC and that Gore did not make this call.

Several months before his meeting with Clinton, Smith said, he met

with Gore to press the case for Japanese sanctions. Smith called the meeting "very unsatisfactory" and said Gore spent the time "reading from 3-by-5 cards."

Clinton's contacts with Smith came after he received a memo from the DNC asking that he personally solicit a contribution from the FedEx chairman. Smith was one of 12 people Clinton was asked to call personally to solicit contributions. The 12 were listed on a memo prepared for the president by the DNC. A separate memo concerning Smith, dated Feb. 6, 1996, was also prepared for Clinton, and it says in part, "ask him for \$150,000." Almost two months later, on March 29, Federal Express gave \$50,000 to the DNC. But Smith said he had received no call from Clinton. Masterson said the contribution was requested by Donald Fowler, then the DNC chairman.

On April 24, at 8:20 a.m. (CST), Clinton attempted to reach Smith by phone, but Smith was in Paris. Smith said he returned the call to the White House but never connected with Clinton. Smith said the Japan issue was hot and he assumed the call was about that. But given the memo to Clinton, Smith said it was possible the call was to request a campaign contribution.

A notation on the Feb. 6 memo to Clinton lends some credence to the possibility that the call was related to the DNC request. The notation bears the stamp, "THE PRESIDENT HAS SEEN," with the date May 20, 1996. The notation appears to indicate that Clinton saw the memo some time between when it was written on Feb. 6 and when those who keep presi-

dential records stamped it and wrote the notation on May 20, 1996.

That was not the end of Federal Express giving to the DNC. After the election in November 1996, Federal Express gave another \$100,000 to the DNC. Masterson, the Federal Express general counsel, said that contribution was solicited by House Minority Leader Richard A. Gephardt (D-Mo.). Smith also gave \$25,000 from his own funds after being solicited by Sen. John F. Kerry (D-Mass.), a classmate at Yale.

Smith said in an interview that he was not a Clinton supporter, that he had backed President George Bush in 1992 and stayed neutral in 1996. In 1995 and 1996, Federal Express gave more than \$400,000 to the Republican National Committee.

Smith said he received another solicitation for campaign funds last year from Sen. Bob Kerrey (D-Neb.), who heads the Democratic Senatorial Campaign Committee. At a political event, Smith said, Kerrey asked for \$250,000 to \$300,000 to help "moderate Democrats" campaigning for Senate seats in last year's elections. Kerrey, in an interview, confirmed that he had requested that sum of money. Federal records show that Federal Express met Kerrey's request, giving \$250,000 between July and October 1996.

Asked whether he felt pressured because he and his company were targeted or solicited for campaign contributions by the most important political figures in the Democratic Party, Smith said that it would be unwise for a company with \$13 billion in annual revenue not to make the requested contributions. "Sure, you're darn right, you better be responsive," Smith said. "Whether you use the language of the street and call it a shakedown or whether you just call it our system, however you put it, it's a messy system."

Researcher Jeff Glasser contributed to this report.

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American Airlines apologizes for manual

By Keith L. Alexander

USA TODAY 8/21 B-2

American Airlines officials apologized Wednesday for language in a pilot training manual that says Latin American passengers are frequently unruly and intoxicated.

They promised to remove the language.

The manual says Latin American passengers can become drunk and unruly on flights and may call in a false bomb threat when running late for a plane. The guide also says some Latin American travelers "don't expect to depart on time."

The 105-page manual was released in a Miami courtroom Tuesday during pretrial hearings in lawsuits regarding American's 1995 crash in Cali, Colombia.

The disclosure of the manual is an embarrassment for American, the leading carrier in the U.S.-Latin American market.

The *Latin America Pilot Reference Guide* also instructs pilots on flying into Latin American airports that fall below U.S. safety standards and warns pilots of mountainous areas near regional airports.

Peter Dolara, American's senior vice president for Latin America and the Caribbean, says the instructions were based on "bad information" American received from Eastern Airlines when it acquired the Latin American routes in 1989.

"This unfortunate incident has prompted a review of all our training manuals and other internal documents," Dolara says.

Dolara, who is Latino, says he was offended by the manual.

Spokesman Tim Smith says the airline regrets the generalizations and that it holds its Latin American customers in the highest regard.

"We intend to rewrite the guidebook to delete any inaccuracies and misrepresentations," Smith says.

But some members of the Latino and Hispanic communities who fly American to Latin America, Mexico or within the USA say that is a superficial action.

"When we caught them, they supposedly apologize. How many other stereotypical beliefs do they have in place that haven't been revealed?" says Rosa Martha Zarate, co-manager of Quetzal Travel in San Bernardino, Calif.



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American Airlines makes an apology for Latin manual

Guide advises Latin passengers 'like a drink' before takeoff and may call in a bomb threat to delay plane

BY EVAN PEREZ
ASSOCIATED PRESS

MIAMI — American Airlines apologized for a manual warning its pilots that Latin American passengers "like a drink in the plane prior to takeoff" and may call in false bomb threats to delay planes.

The manual was released during pretrial hearings for lawsuits against the airline for the Dec. 20, 1995, crash in Cali, Colombia. An American Airlines Boeing 757 slammed into a mountain, killing 159 people. Four people survived.

The guide, still in use, tells pilots that Latin passengers often become unruly or drunk, don't expect planes to leave on time, but still trust AA pilots more than Latin American pilots.

"They expect not to depart on time. In fact, it's rumored that they will call in a false bomb threat to delay a departure if they think they'll be late," reads an entry from a section titled "Survival in Latin America."

The guide also warns about dangers of mountainous terrain surrounding Latin American airports and of trusting regional air traffic controllers.

The Fort Worth, Texas-based airline said the manual was intended to show pilots how to deal with a different culture. It apologized Tuesday and prom-

ised to revise the manual.

"If that happened once maybe in a Latin market that is no reason to generalize," said Chris Chiames, an airline spokesman. "Clearly, this particular section was written in a very insensitive manner and generalized things that didn't need to be generalized."

A representative of one U.S. Latino group was incensed.

"In this day and age, for a top corporation to be perpetuating this type of stereotyping of its paying customers among its employees is unconscionable," said Lisa Navarrete, spokeswoman for the National Council of La Raza in Washington.

Once a mostly domestic carrier, American has become the dominant U.S. carrier in Latin America, doing 15% of its business there. The carrier has 200 scheduled flights a week into Latin America from U.S. cities, the largest number from its hub at **Miami International Airport**.

Attorneys defending American against 155 lawsuits submitted the manual in court along with hundreds of other documents. A federal judge ruled the documents should be made public.

Trial is scheduled to begin next month in federal court in Miami.

Infrastructure Dollars Pay Big Dividends

8/12 State, City Projects Build Jobs and Competitiveness

By FRED R. BLEAKLEY

Staff Reporter of THE WALL STREET JOURNAL

"Field of Dreams" may have been a movie about a mythical baseball field in the Midwest. But the nation's cities and states have their own real-life versions of "build it and they will come."

In Grand Rapids, Mich., a new convention center is under consideration; in Charleston, S.C., there's a new super-highway opening a nearby peninsula for corporate sites. And dozens of cities are expanding or building airports.

"We starved infrastructure for years," says Oklahoma Governor Frank Keating. "Now, we're making up for it." His state has just committed to spending an extra \$1.3 billion on new roads over the next five years, and has put up a million square feet of shell buildings in 14 areas — making it easier for offices and plants to relocate.

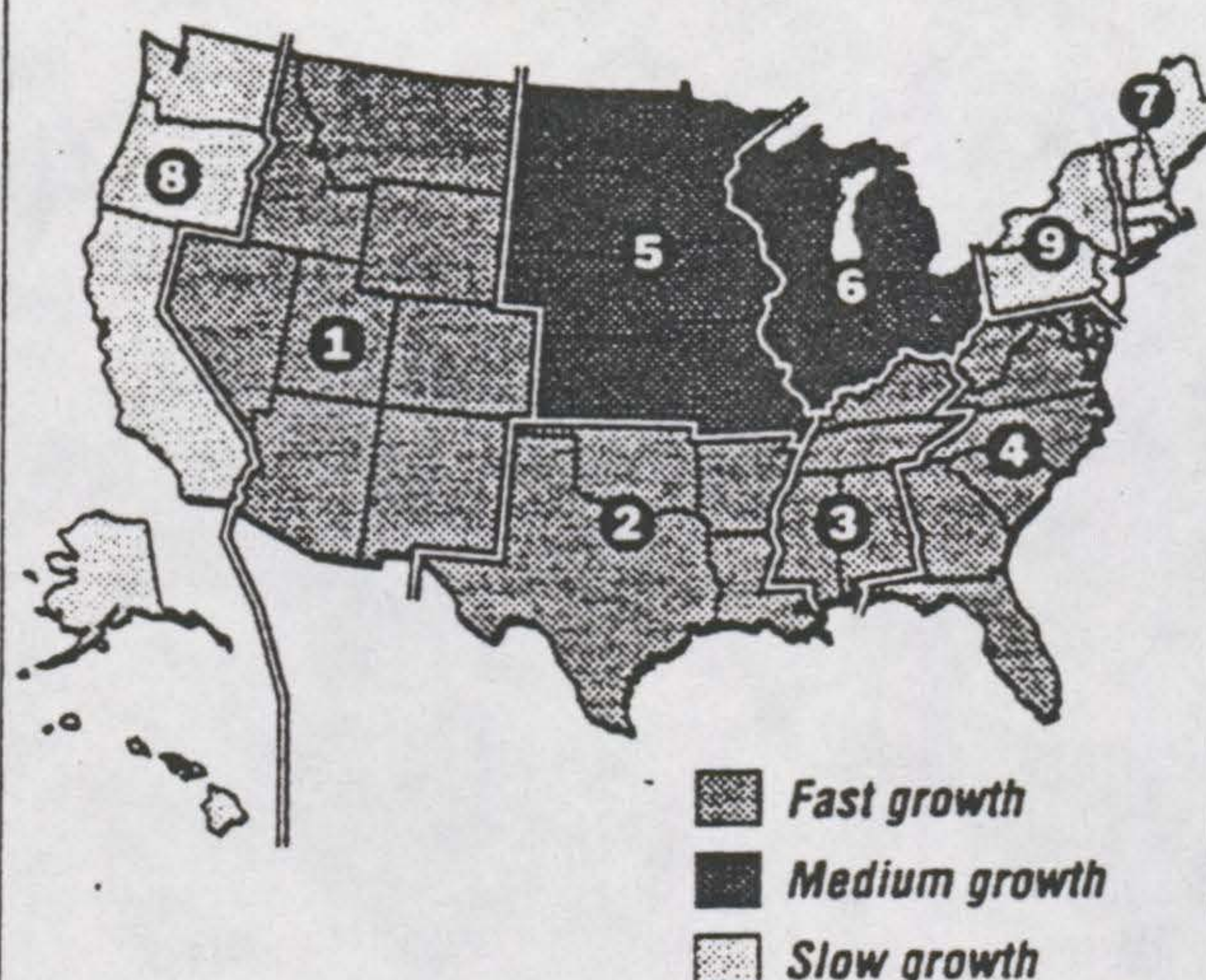
Spending on infrastructure — a word that was associated with crumbling bridges, roads and other public projects in the tax-spending debates of a few years ago — is hot. Because of heated competition between states for corporate plant and office relocations, more and more regions have better roads, sewers and transportation systems.

Correlation With Job Growth

Indeed, the value of state and local government structures jumped from \$2.4 trillion at the end of the 1980s to \$3.1 trillion in 1995, according to the latest government data available. The figure advanced to nearly \$3.3 trillion last year, estimates Regional Financial Associates, a West Chester, Pa., economic consulting firm. RFA also calculates the nation's spending on roads and other infrastructure as a percentage of total nonresidential construction stepped up to an average of more than 24% in the 1990s, from an average 19% throughout the 1980s.

The regions that spent the most reaped the biggest rewards in new job growth, according to RFA's analysis. Regions where infrastructure investment was higher than the national average, including the Mountain, Midwest and Southern states, had better than average job growth. By contrast, infrastructure spending as a percentage of personal income in the Pacific, New England and Middle Atlantic states was less than the national

Infrastructure Spending: The Road to More Jobs



*As a share of personal income

Sources: National Association of State Budget Officers; Bureau of Economic Analysis; Regional Financial Associates, Inc.

	1991-96 SPENDING*	JOB GROWTH
1 Mountain	1.28%	4.51%
2 West South Central	0.96	2.71
3 East South Central	0.93	2.69
4 South Atlantic	1.31	2.53
5 West North Central	0.98	2.39
6 East North Central	0.90	2.04
7 New England	0.79	1.28
8 Pacific	0.74	1.05
9 Middle Atlantic	0.63	0.49
United States	0.89	2.00

average — and so was job growth.

A coincidence? Obviously, other factors played a role in why some regions attracted more jobs than others. And often the infrastructure spending stemmed from a promised incentive package to land a new plant once a company expressed interest in moving.

But, clearly, there is a link and more and more state and local economic-development agencies are recognizing that unless they are prepared to invest in more infrastructure spending they will be left behind in the jobs race.

Getting in the Race

"States have stepped up because business demands it," says Dennis Donovan of the Wadley-Donovan Group of Morristown, N.J. "If an area does not have infrastructure in place, including basic roads, sewers, telecommunications capability and transportation, they will not even be considered by the vast majority of companies."

Corning Inc. says Cabarrus County, N.C., would have been out of the running for a new fiber-optic-cable plant if the county hadn't decided a few years back to invest in a sewer system that could handle industrial waste. Corning broke ground on the site, 15 miles east of Charlotte, that will employ 600 workers early this year.

Determined to stop the drain of companies out of the state and to attract new

ones, the state of Ohio tied infrastructure expenditures to economic development about four years ago. Since then, says economic-development director Don Jake-way, at least half a dozen new large job relocations came to the state because of the building of new roads to rural areas, as well as local spending there on utilities.

One was a new steel fabrication plant in Delta, Ohio, 25 miles from Toledo, that Worthington Industries Inc. opened in June. Helping to swing the deal: fast coordination between state and local authorities for expenditures on road widening, water-line connections and even a stop sign at the local railroad crossing.

Investment in Key Facilities

Just last month, Ohio announced that Toledo had beaten out a Michigan site to hold on to its 4,900-job Jeep assembly plant. A "critical" factor, Jeep's parent Chrysler Corp. said in deciding to make a \$1.2 billion investment to refurbish the plant and build a new one nearby, is the promise of more than \$20 million in infrastructure grants and low-interest loans. A new interchange off the interstate is part of the package.

Sometimes the kickoff to an economic-development boom is a sports stadium that may not seem related at first to a corporate decision to relocate. Jacksonville, Fla., city fathers are convinced that the National Football League's selection of Jacksonville for an expansion team put the city on the map for corporate moves.

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Meeting Global Competition

"Suddenly, we were in a league with Atlanta and Charlotte as a place to be looked at," economic-development head Jerry Mallott says. The decision by the state to build the area's Mark Clark Expressway in the late 1980s opened the door, he says. But once companies are satisfied their business needs will be met, they often turn to the "livability issues," Mr. Mallott adds. Jacksonville landed the most "mega" projects — those with more than 1,000 employees — of any U.S. city this year, he says. The new corporate citizens include a national claims center for the

health-insurance division of Prudential Insurance Co. of America.

For many areas, the spending has meant making hard decisions on funding for social programs. But economists say the infrastructure spending has widespread benefits besides the direct impact on new jobs, less traffic congestion and regional economic growth. Construction-equipment maker Caterpillar Inc. just reported record quarterly profit, thanks in part to the infrastructure-spending splurge on airport expansion. Also, by helping corporate America increase productivity with more efficient plants and offices, local governments are helping to make the U.S. more competitive in the global market.

The federal government, too, is getting ready to do more. Late last month, the Senate passed a \$42 billion transportation bill that provides an extra \$4 billion — more than a 20% increase — in spending by the highway trust fund over the next fiscal year. And the Clinton administration said recently that 28 more states joined the existing 10 to become eligible to participate in a federal infrastructure bank that helps fund bridge and road projects.

Still, no one is saying the nation's aging, existing infrastructure doesn't remain a problem. Recently appointed Federal Reserve Board governor Edward Gramlich believes more innovative funding is needed. "Maybe there should be a pay-as-you-go system so that trucks with the most axle weight pay more to use federal highways and airplanes flying at rush hours pay higher fees," he says.

"There still may be an infrastructure deficit, but at least it is smaller," says Alicia Munnell, a former member of the Council of Economic Advisers. "The debate over whether spending on airports, roads and the like is unproductive has been settled. It's just silly to say it doesn't pay off."