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FORM OF DOCUMENT	CORRESPONDENTS OR TITLE	DATE	RESTRICTION
memo w/ att.	From Brzezinski to The President (8 pp.) re: Iran's EMS Status opened per RAC NLC-126-16-24-1-7 8/8/13	2/26/79	A
MEMO	From Young to The President (2 pages) re: US Mission to the UN Weekly Activities/enclosed in Hutcheson to Brzezinski. 2/26/79 OPENED 4/16/08	2/23/79	A
memo	From Brown to The President (2 pp.) re: Weekly Activities of the Department of Defense	2/23/79	A

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THE WHITE HOUSE
WASHINGTON

26 Feb 79

Zbig Brzezinski

The attached was returned in the President's
outbox today and is forwarded to you for
appropriate handling.

Rick Hutcheson

The Vice President
Stu Eizenstat

~~SECRET~~

DECLASSIFIED

MR. NLIC - 06 - 195

PCR 8/14/07 STATE LETTER

BY Q NAME DATE 4/9/08

TO: President Carter
THROUGH: Rick Hutcheson
FROM: Ambassador Young
SUBJECT: US Mission to the UN Weekly Activities
February 17 - 23

DECLASSIFIED

WIR-MJC-06-195
PER 8/14/07 STATELETSC
BY 0 NARS, DATE 4/9/08

CONFLICT IN SOUTHEAST ASIA

A. Conversations in New York

In conversations here with the Chinese, Vietnamese and Soviets, I have found representatives of all three unusually confident. The Soviets are confident of the Vietnamese military capabilities and their own ability to supply equipment; the Chinese appear confident of their unlimited mass of soldiers and their intentions; the Vietnamese seem confident of their own military capability. I think we need to do some contingency planning in the event the Chinese are not able to teach the Vietnamese a lesson. In the past, the Vietnamese fought to expel the Japanese, the French and the U.S. from their land. I am not certain the Chinese can now dominate the Vietnamese without moving in further and over committing themselves, thereby possibly threatening the collapse of the Teng government.

B. Security Council Meeting Will Be Held Friday Afternoon

My staff and I have worked hard for several days to mobilize a Security Council consensus on solutions to the problems in Southeast Asia. At informal consultations this morning, the Council agreed to meet in formal session at 5:30 this afternoon. The United States will be the first speaker at the session.

SOVIET OFFER OF HELP ON RHODESIA

Ambassador von Wechmar (FRG) told me that in recent high level talks between the FRG and the Soviet Union, Soviet officials asked FRG Foreign Office officials if there was "anything the Soviet Union could do to be 'helpful' regarding the Rhodesia situation". In a subsequent meeting I had with Soviet Perm Rep Troyanovsky, I asked about Soviet willingness to "help" and, more generally, if there was now some possibility of more parallel efforts by the two super-powers in Rhodesia. Troyanovsky did not answer directly. His attitude suggested that if such an offer had been made to the Germans, he had not been made aware of it. I proceeded to urge him to discuss the question of Soviet "help" during his consultations in Moscow. He returns this coming Friday.

DEMARCHE BY AFRICAN GROUP DELEGATION ON CONGRESSIONAL OBSERVERS TO RHODESIA

A delegation from UN's African Group approached me to report that the African Group had received news that the U.S. might send observers to Zimbabwe for the April 20 "elections". They stated that it was bad enough that the U.S. Senate was considering sending observers, but they were even more concerned that the State Department might support the idea or might even be considering sending observers itself. In their view, the sending of U.S. observers would

USUN Weekly Summary
Page Two

tend to legitimize the April 20 "elections". The delegation was assured that the U.S. was fully conscious of its international obligations. Nonetheless, it was now faced with a serious and difficult problem inherent in the separation of powers in the American government.

BRIEFING WITH THREE CONGRESSIONAL SUBCOMMITTEES

On February 22, I briefed three House Foreign Affairs Subcommittees on southern Africa, particularly Namibia. I answered questions on the full range of U.S. policy (Namibia, Rhodesia, Iran). Discussion also included the problem of U.S. fiscal responsibility at UN, i.e., support of UNTAG and the need to delete the Helms amendment. I intend to have more informal conversations with former colleagues in the future.

NATIONAL FOREIGN POLICY CONFERENCE

I spoke to the National Foreign Policy Conference of Editors and Broadcasters on February 20 at the State Department just prior to your appearance. In response to questions, I discussed the need for an evolving foreign policy carefully conceived to take account of the complex upheavals we are now experiencing in many parts of the Third World. I also described our efforts to mold an international consensus at the UN behind action calling for an end to fighting in all of Southeast Asia.

SPEECH IN WACO, TEXAS

I was the main speaker at a joint convocation of the African Methodist Episcopal Church of Texas and Paul Quinn College in Waco on February 14. Founder's Day at Paul Quinn College provided the setting for the gathering of the Council of Bishops of the African Methodist Episcopal Church. This occasion provided me with an excellent opportunity to describe the Administration's domestic and foreign policy to the leadership of a three-million-member denomination. Bishop John Adams of Waco is anxious to be helpful to the Administration. (He is former classmate of Martin Luther King, Jr. at Boston University and a consultant for the Eli Lilly Foundation Project on Black Religious Leaders--top leaders of seven historic Black denominations meet quarterly under his guidance.) I suggested a meeting of the group at the White House this fall.

OTHER MEETINGS

2/21 Dr. Ruth Morgenthau on Commission for Social Development issues; Josiah Chinamano (Vice-President of ZAPU); Ambassador Davidson Hepburn (Bahamas).

THE PRESIDENT'S SCHEDULE

Monday - February 26, 1979

- 8:00 Dr. Zbigniew Brzezinski - The Oval Office.
- 8:30 Mr. Frank Moore - The Oval Office.
- 9:00 Meeting of the Cabinet. (Mr. Jack Watson):
(2 hrs.) The Cabinet Room.
- 11:00 Mr. Jody Powell - The Oval Office.
- 12:00 Lunch with Vice President Walter F. Mondale.
(60 min.) The Oval Office.
- 1:30 Mr. James McIntyre - The Oval Office.
(20 min.)
- 2:30 Presentation of Diplomatic Credentials.
(30 min.) (Dr. Zbigniew Brzezinski) - The Oval Office.
- 6:30 Dinner with Senator and Mrs. Edmund S. Muskie.
The Residence.

THE WHITE HOUSE
WASHINGTON

26 Feb 79

Stu Eizenstat
Jim McIntyre

The attached was returned in the President's
outbox today and is forwarded to you for
appropriate handling.

Rick Hutcheson

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<input type="checkbox"/>	STRAUSS
<input type="checkbox"/>	VANCE

THE WHITE HOUSE
WASHINGTON

February 24, 1979

MEMORANDUM FOR: THE PRESIDENT
FROM: STU EIZENSTAT *Stu*
SUBJECT: Bank Regulatory Consolidation

Stu - We should pursue pro-competition actions more aggressively
J

As you know, for the past two years Senator Proxmire has attached high priority to legislation to consolidate the bank supervisory powers of the Federal Reserve Board, the Comptroller of the Currency, and the Federal Deposit Insurance Corporation into a single Bank Commission. The Comptroller's Office and the FDIC would be eliminated, and the Fed would be limited to the formulation and implementation of monetary policy. Senators Proxmire and Ribicoff have re-introduced the bill this session, and Treasury must testify on it February 28.

We have reviewed the Proxmire proposal with relevant Members of Congress and the affected constituencies. Treasury, OMB, CEA, DPS and the Federal Reserve Board agree that the merits of the proposal are questionable, that there are dangers involved in concentrating total authority over banks in one agency, and that there is no chance that a Bank Commission bill can be enacted. Chairman Miller would regard Administration support for the Bank Commission bill at this time as an impediment to the enactment of the Fed's membership legislation, which is its highest legislative priority and was mentioned in your State of the Union Message.

However, we are sensitive to the appearance of opposing the consolidation of a system which, even if it works well, on its face is organizationally clumsy. Consequently, all the agencies recommend that Treasury adopt the following position:

- o Last year the Administration supported and Congress enacted a Bank Examination Council, a body composed of the banking regulators and designed to improve coordination and promote uniformity among the bank regulatory agencies. This Council reflected the Administration's response to the need for structural change to achieve greater uniformity in bank regulation.

- o Treasury will recommend changes to strengthen the Council, including broadening its jurisdiction to cover bank holding companies, bank affiliates and foreign banks.
- o Treasury will not oppose the concept of full consolidation as such. We believe it is entirely appropriate for the Committee to consider now the form that consolidation of these agencies should take, and we would work with the Committee in that effort. However, we believe that the enhancement of the Examination Council, which will begin operations in March and should be given a chance to succeed, is the logical interim step to consolidation, and that the Council should be integrated in any plan for ultimate consolidation.

Because of the importance Senator Proxmire attaches to this bill, and because of the Administration's commitment to reorganization, the agencies agreed that we should present the various options for you in greater detail.

THE WHITE HOUSE

WASHINGTON

February 24, 1979

MEMORANDUM FOR: THE PRESIDENT
FROM: STU EIZENSTAT *Stu*
JIM MC INTYRE *Jim*
SUBJECT: Bank Regulatory Consolidation

Senators Proxmire and Ribicoff have introduced legislation to consolidate the banking supervisory powers of the Federal Reserve Board, the Comptroller of the Currency, and the Federal Deposit Insurance Corporation into a single Bank Commission. Treasury must testify on this proposal before a joint hearing of the Senate Banking and Governmental Affairs Committees on February 28. Senator Proxmire says he has discussed this issue privately with you, and he has characterized your reaction as sympathetic, if not supportive. In discussions with Senator Proxmire and others, we have stated that you are generally receptive to legislation purporting to streamline government, but that you have made no decision regarding this proposal. Enactment of the Bank Commission bill is Senator Proxmire's highest legislative priority.

This memorandum presents four options: (1) the Bank Commission; (2) a partial consolidation which transfers the Fed's supervisory powers to the Comptroller and the FDIC; (3) an enhancement of the powers of the newly created Bank Examination Council; and (4) opposition to any change in the present regulatory structure.

Option One: The Bank Commission

A. Description of Existing Structure and Proxmire Proposal

The present bank regulatory structure consists of three agencies: the Comptroller, the Federal Reserve Board, and the FDIC. The Comptroller charts and is the primary regulator of national banks. National banks are also required to be members of the Federal Reserve, and are all insured by the FDIC. The Federal Reserve regulates all state chartered banks which choose to become members of the Federal Reserve. These banks are also insured by

the FDIC. In addition, the Federal Reserve regulates all bank holding companies and their non-bank subsidiaries regardless of whether their primary subsidiary banks are regulated by the Fed, the Comptroller or the FDIC. The FDIC insures all but a handful of the nation's commercial banks but primarily regulates only those 5,000 state chartered banks which do not choose to become members of the Federal Reserve.

The Consolidated Bank Regulation Act of 1979 (S. 332) would combine the supervisory powers of the three banking agencies into a Federal Bank Commission. The Comptroller's Office would be abolished, the FDIC would be retained under the Commission for the sole purpose of managing the insurance fund, and the Fed would cede its supervisory powers and confine itself to the formulation and implementation of monetary policy. The Commission would be funded from the FDIC and Comptroller's Office assessments, with spending ceilings subject to the Congressional appropriations process.

The Commission proposal would simply assume the existing powers of the present agencies, except that the Commission would be required to transfer to state banking departments meeting the Commission's standards the authority to examine state-chartered banks. The Commission would also provide funding to such certified state banking departments.

The President would appoint the Chairman and four other public members of the Commission for seven year terms. The Chairman would serve at the President's pleasure. One Commission member would be required to have state bank regulatory experience.

B. Arguments Favoring Bank Commission

- Senators Proxmire and Ribicoff have developed this legislation over several years and are deeply committed to it. Proxmire would characterize Administration opposition as a retreat from your commitment to streamline the regulatory framework.
- The unique characteristic of the banking regulatory system is that a bank is free to choose its federal regulator. A bank may shift from state to national charter or from Fed membership to non-membership; either decision changes the bank's federal regulator. Proxmire's central argument is that the right to

change regulators induces banks to seek the least onerous agency, which in turn has produced "competition in laxity," whereby the regulators either avoid rigorous oversight or tailor their policies to avert losing their "constituency." Proxmire contends that "lax" regulation has increased the number of bank failures, increased problem loans, reduced capitalization to dangerous levels, and generally produced a tolerance for unsound banking practices.

- The existing fragmented structure has been described as a "jurisdictional tangle that boggles the mind." Overlapping jurisdictions have produced inefficiencies and duplication. Consolidation would provide a coherent organization. Arguably, it might also facilitate limited long-run cost savings, a higher level of technical expertise, and improved bank examination practices.
- The present arrangement has produced inconsistencies and impeded the development of uniform banking policy. Splitting authority among three agencies compounds the difficulty of achieving uniform policy on any given matter, whether the issue is administrative or legislative.
- Proponents contend that the bill is structured to preserve the autonomy of state banks and state bank supervisors, thereby strengthening the dual banking system.
- Proxmire argues that the conduct of monetary policy is separable from bank regulatory activity, and that the Fed should be divested of its bank supervisory powers in order to concentrate on monetary policy.

C. Arguments Against Bank Commission

- Legislation to rationalize the bank regulatory structure has been introduced in every Congress for forty years. In our view, the Bank Commission proposal, which is more comprehensive than most past efforts, will be no more successful than its predecessors and cannot be enacted. This conclusion is nearly unanimously shared by outside observers and is based upon consultations with the relevant Members of Congress and constituency groups.

Predictable

Specifically, the American Bankers Association, the bank holding companies, and the state bank supervisors will oppose it vigorously. With the Administration's active support, Congress last year enacted the broadest banking reform legislation in several decades. Consequently, the banking industry is highly resistant to a consolidation proposal which it perceives as a further tightening of Federal control over the industry. House Banking Committee staff believe the bill could not be approved by either the Banking Committee or the House, even if it received strong Administration support. In the Senate, the bill will be reviewed separately by the Banking and Government Affairs Committees. While it is possible that Government Affairs could report the bill, the full Senate would not act unless Senate Banking had registered approval. The ranking members on the Banking Financial Institutions Subcommittee -- Cranston and Tower -- oppose the bill, and we believe a substantial majority of the full Banking Committee will share their view. None of the bank regulators will support the Bank Commission at this time, and Chairman Miller has communicated to the White House his strong opposition, at least until Fed membership is settled.

- On the merits, it is unclear whether a full consolidation would be beneficial. The Bank Commission argument is based on tenuous assumptions.
- The arguments that there is significant competition in laxity, and that banks shift charters to avoid "rigorous" regulation have not been convincingly substantiated. Many banks which have shifted from national to state charters did so to avoid holding non-interest bearing reserves at the Fed, i.e., to improve profitability. The notion that the number of "problem banks" proves laxity is questionable; arguably, the percentage of banks on the problem list reflects the rigorousness, rather than the laxity, of the examinations process.
- In some instances what Proxmire terms "competition in laxity" represents what others would regard as "competition in innovation." For example, the Comptroller's Office has historically been pro-competitive in opening up protected markets to branching. Such actions have broadened competition, and it is unclear whether the Commission would accelerate, preserve or halt such

efforts. What is clear is that the existence of three agencies increases the probability that at least one will be progressive. The greatest risk with the Bank Commission is that it might mirror the performance of the ICC and certain other agencies in the past: it could become rigid, submit to the most protectionist segments of the industry, and stifle innovation. Some would contend that the existing tripartite structure is not an historical accident, but a reflection of deliberate Congressional policy to avoid an undue concentration of banking power in either public or private hands. In short, the present system of checks and balances is inefficient in organizational terms but may be healthy.

- Proxmire's conclusion -- that laxity has produced an "unsound" banking system -- is rejected by all the agencies. The system is essentially sound. There have been relatively few bank failures: an average of five annually out of 15,000 banks. A banking system which encourages innovation and competition must tolerate some failures. Furthermore, most observers agree that the problem of unsound practices is less acute than it was five years ago because both regulators and banks learned from the problems of 1974. In our view, the fundamental problem facing commercial banking is a set of regulatory and statutory restraints on competition, rather than an excessive regulatory tolerance for unsafe practices. In any event, last year's comprehensive banking legislation addressed the major outstanding supervisory issues only four months ago.
- Treasury notes that a centralized federal system might ultimately overwhelm the state regulators, thereby threatening the dual banking system. CEA's concern is the opposite: that the Commission structure, which was designed to accommodate state interests, leans too heavily in that direction. State banking interests have often been most resistant to freer competition in banking, and the supervisory standards of state bank regulators are notoriously uneven. If CEA's concern were to prove warranted, the Commission would become a major force against broader competition in the industry.
- Although in theory monetary policy and bank supervision are separable, in practice they are often intertwined. In limiting the Fed's role in bank supervision, it is

arguable that this weakens the Fed's ability to implement monetary policy by creating a sharper division between these two responsibilities than is desirable.

- At Proxmire's request, GAO undertook a lengthy analysis of the need for consolidation. Elmer Staats concluded that improved coordination was needed, but that full consolidation was unnecessary.
- Assuming that consolidation achieved its alleged objectives, it would not be as beneficial as other banking reforms. The Administration is addressing several issues involving major anti-competitive restrictions on banking activity: Regulation Q, the McFadden Act and other restraints on geographic expansion, the prohibition of interest on demand deposits, and variable rate mortgages. If the Administration is to commit itself to a controversial battle on banking reform, it should select a target which involves deregulation of actual banking operations and where the benefits are clear-cut.
- The Financial Institutions Reform Act of 1978 created a Financial Institutions Examination Council, which will begin operation in March. The Council, which the Administration strongly supported and is described in detail below, is designed to improve coordination and achieve greater uniformity among the banking regulatory agencies. It would be logical to give the Council an opportunity to be effective before we characterize this coordinating vehicle which we supported as inadequate. This approach would permit the Administration to reserve judgment as to whether further coordination or consolidation is needed.

Option Two: Transfer of Federal Reserve's Supervisory Powers

Some of those who oppose full-scale consolidation have supported variants of a reorganization that would reduce the three banking agencies to two. This would be accomplished by transferring the examination and supervisory powers of the Fed to the Comptroller and the FDIC. This would leave the Fed as the central bank of the United States but out of the regulatory business. The Comptroller would supervise the national banks and the FDIC the state banks; they would divide the supervision of holding companies. Presumably some coordinating mechanism would be required. There are no presently pending bills embodying this approach, and the Fed is vehemently opposed to

it. It addresses only some of the many problems of the present structure, and it has many structural problems of its own. None of your advisers recommend this option and it has not been staffed out at OMB or Treasury. It is included in this memorandum so that you will be aware of it should it surface as a compromise later.

The option raises serious substantive problems. The basic argument Proxmire and Ribicoff make for consolidation is that a bank should not be permitted to choose its regulator. If bank "forum-shopping" is really the problem, the preservation of two agencies will not eliminate it. If the objective of consolidation is to achieve more uniform policy, this option may be a step backwards. One of the coherent aspects of the present structure is that the Fed regulates all bank holding companies. Splitting this function between the Comptroller and the FDIC would arguably encourage inconsistencies in bank holding company regulation which do not currently exist and which consolidation efforts should be designed to remove. Finally, as noted earlier, there are strong substantive arguments against eliminating the Fed's role in bank regulatory activity.

Given these substantive problems, we recommend against supporting this option at this time. Aside from substantive problems with the option, it would almost inevitably involve the Administration in a fight among the three agencies at a time when no coherent proposal has been developed. If such a proposal later develops, it would then be reviewed on the merits.

Option Three: Enhancement of the Examination Council

The Federal Financial Institutions Examination Council will commence operations on March 10, 1979. Under the bill enacted last year, its members will include the Comptroller, the Chairman of the FDIC, a Governor of the Fed designated by the Fed Chairman, the Chairman of the Federal Home Loan Bank Board (FHLBB), and the Chairman of the National Credit Union Administration (NCUA). The Council is directed to prescribe uniform principles and report forms for the Federal examination of financial institutions and make recommendations for uniformity on other supervisory matters. It is to be financed by equal assessments upon the member agencies, and its members will elect the Chairman. It will utilize the staff of existing agencies.

A. Proposal

This option would modify the structure and broaden the powers of the Examination Council in the following ways:

- The Council's substantive powers would be broadened to include bank affiliates, bank holding companies and foreign banks.
- The Council's membership would change. Two existing full members -- the Chairman of the FHLBB and the NCUA -- would become advisory members, without a right to vote. The Council's actions would not be binding on these advisory members. Treasury would also serve on the Council as an advisory member.
- The Council would be authorized to coordinate the detailing of bank examiners, who would be authorized to examine banks supervised by other agencies.
- The Council's expenses would be funded out of the FDIC deposit insurance fund. The Council would also charge fees for special services.
- The Council would be required to report annually on its activities and to make recommendations in two years regarding the need for further agency coordination or consolidation.

B. Arguments for Proposal

- Treasury would characterize this as a logical interim step toward consolidation, would indicate that the Administration does not oppose consolidation in this area per se, and would work with the Committee in reviewing consolidation alternatives.
- Substantively, it is difficult to argue that the reasons supporting the Council's creation -- the need to promote coordination and uniformity on bank supervisory issues -- do not apply with equal strength to bank holding companies, affiliates and foreign banks. The International Banking Act of 1978 has created additional oversight powers over foreign banking, including for the first time FDIC insurance for many foreign banks. It is important that the agencies closely coordinate their implementation of this Act.
- Relegation of the FHLBB and NCUA to non-voting member status is supported by these agencies. This would avoid possible inequities or inconsistencies, given the very different structure of thrift institutions and credit unions.
- The ability to detail examiners from one agency to examine a bank for which another agency is the primary supervisor would increase flexibility by permitting the use of those examiners located nearest remote bank offices.

- In part, our support for this option reflects our substantive and political concerns with major reorganization which are expressed above. But the basic argument for this option is that last year the Administration supported the creation of the Examination Council to promote coordination and uniformity. These changes will enhance the Council's ability to achieve these objectives, and we ought to permit it to Commerce operations before discarding it in favor of a more extensive reorganization. The Administration and the Council can assess its experience and in early 1981 make recommendations for such further reorganization or coordination as may be needed.
- All the constituency groups, banking leaders and Hill staff we consulted regard this approach as reasonable, although advocates of full reorganization will obviously be dissatisfied. The bank regulatory agencies are generally supportive of this approach.

C. Arguments Against Proposal

- The basic argument against this proposal is that it may be criticized as essentially cosmetic.
- The basic concerns about this option relate not to the modifications described above, but to the inherent frailties and tensions reflected in the Examination Council itself. The Council is an imperfect effort to resolve the tension between a strong tradition of agency autonomy and the need for more centralized control. Without maximum cooperation and unusual discipline, the Council may be unable to reach a consensus on issues of significance or simply become another bank regulatory agency. Even as presently constituted, but especially with additional powers, the Council may need to establish an independent staff. *True!* Such staffs tend to grow. Whether in its present form or as modified, the Council may be perceived as simply another layer of government officials supervising the existing ones. While it is expected that agencies will implement binding Council actions, there can be no assurance that they will do so. The point, though, is that these problems are inherent in the Council itself, and would at worst be marginally affected by the recommended changes.

Option Four: Opposition to Any Change in Regulatory StructureA. Argument for Opposition to Any Change

- Arguably, the Administration and Congress addressed the need for change in this area by creating the Examination Council last year, and it is inappropriate either to tinker or make wholesale changes before this new coordinating vehicle has begun to function. If the Examination Council concept is fundamentally flawed, it would be preferable not to build on this weak body. There is no major constituency seeking change in this area, nor would the alleged benefits of change be readily comprehensible to the public. Finally, as opposed to many other areas of industry regulatory reorganization, the perceived result of any reorganization effort here would be to strengthen Federal control over the regulated industry.

B. Argument Against Opposition to Any Change

- A stand pat posture toward an organizational structure which is patently unwieldy would be characterized as inconsistent with the Administration's commitment to streamline the Federal government. Support for some sort of change would reflect the Administration's commitment to address the organizational imperfections of the present system, and would blunt Proxmire's criticism that the Administration is insensitive to the need for improved banking regulation.

Decision

Option One: The Bank Commission _____

Option Two: Transfer of Federal Reserve's
Supervisory Powers _____

Option Three: Enhancement of the
Examination Council _____ ✓
(Treasury, OMB, CEA, DPS)

Option Four: Opposition to Any Change in
Regulatory Structure _____

Congressional Liaison and Jack Watson have no comment.
Anne Wexler concurs with the recommendation of Option 3.

4:00 PM

MEMORANDUM

THE WHITE HOUSE
WASHINGTON

February 23, 1979

TO: PRESIDENT AND MRS. CARTER
FROM: GRETCHEN POSTON
SUBJECT: BARYSHNIKOV PERFORMANCE ON SUNDAY, FEBRUARY 25 AT 4:00 PM

3:30 PM Guests begin arriving Southwest Gate to Diplomatic Reception Room and are escorted upstairs to their seats.

3:55 PM PRESIDENT AND MRS. CARTER arrive State Floor to Red Room.

3:57 PM (Edward Villella speaks to television audience to inform them that THE PRESIDENT AND MRS. CARTER are on their way and gives some background information on the event.)

4:00 PM PRESIDENT AND MRS. CARTER are announced into the East Room by Social Aide. MRS. CARTER is seated. THE PRESIDENT moves to standing mike.

INTRODUCTORY REMARKS BY THE PRESIDENT.

PHOTO OPPORTUNITY.

4:05 PM THE PRESIDENT is seated. Ballet program begins.

(NOTE: In between dance segments, Villella speaks to television audience with White House audience listening as well and gives program notes on next ballet to be performed -- 2 to 3 minutes to allow for costume change.)

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- 5:00 PM Ballet program concludes. PRESIDENT AND MRS. CARTER thank performers and depart East Room with Baryshnikov.
- 5:05 PM PRESIDENT AND MRS. CARTER and Baryshnikov stand under the Great Seal at Blue Room to receive guests from ballet performance as well as additional guests invited for reception only.
- 5:15 PM PRESIDENT AND MRS. CARTER mix and mingle as guests are served hors d'oeuvres and aperitifs.
- (NOTE: Baryshnikov goes downstairs to change clothes and returns to reception.)
- 6:00 PM PRESIDENT AND MRS. CARTER depart reception.

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THE WHITE HOUSE
WASHINGTON
February 24, 1979

MEMORANDUM FOR THE PRESIDENT

FROM: RICK HERTZBERG *Rick*
SUBJECT: Baryshnikov Recital
Sunday, February 25, 4 p.m.

Order of events

Before your entrance with Mrs. Carter, Edward Villella, the television host, will briefly describe Baryshnikov's career and his decision to move to the West in search of greater artistic freedom, and will talk about the history of the East Room, mentioning the other performances held there during your Administration. (Villella's voice will be piped into the East Room.)

You and Mrs. Carter will then enter, and you will say a few words (three minutes at most) at a microphone in front of the stage. Then, after a quick introduction of the first ballet by Villella, the performance will begin.

Talking points

Note: The first time you mention the guest artist, you might call him by his full name -- Mikhail (pronounced Mik-hyle') Baryshnikov. Subsequently, you might call him by his universally-used name -- Misha (pronounced Mee'-sha).

1. Rosalynn and I would like to welcome you to the East Room of the White House. One of the greatest pleasures of living here is that we are able to share with the American people our enjoyment and appreciation of superlative performing artists. Mikhail Baryshnikov is such an artist.

**Electrostatic Copy Made
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2. Much has been said and written about Misha, as he is known to his fans and his friends -- and Rosalynn and I fall into both categories.

--Of course, his technique and style are unsurpassed.

--But just as important is his artistic courage.

--The pattern of his life and career has been that he is always eager to leave security behind him, in order to take on the challenge of the new and the unknown. That is what makes him something more than a superstar.

--His decision to join the New York City Ballet--where he works with the finest dancers in America and the finest choreographers in the world--is only the latest example of his dedication to realizing the highest potential of his talent.

--He has been called the greatest dancer of our time. But he himself wants only to be the best he can be. As he said in his interview on "60 Minutes" a week ago, "To be a good dancer--it's enough, without any comparisons."

3. Normally, ballet is performed on a huge stage, in a big theatre. The dances we will see today have been specially adapted for this much smaller space.

--Rosalynn and I looked in on a rehearsal the day before yesterday, and our impression was that the intimacy of the space makes the performance even more special. We will be seeing the dance equivalent of chamber music.

4. The great popularity of Misha is evidence of the growing participation and interest in dance throughout our country.

--(His partners today are both American born-- Patricia McBride, who is from New Jersey, and Heather Watts, who is from California.)

--We are proud of that. And we are proud that Misha has chosen to live and work in the United States, where he has found the atmosphere of artistic freedom and creativity he was seeking.

--But the artistry of a Baryshnikov is not the property of any one nation. Like all great art, his art is universal. And the emotions to which he gives expression belong to us all--not as Americans or Russians, but simply as human beings.

#

THE WHITE HOUSE
WASHINGTON

26 Feb 79

FOR THE RECORD

COPIES WERE GIVEN TO SUSAN CLOUGH AND RICK
HUTCHESON.

FOR STAFFING
FOR INFORMATION
FROM PRESIDENT'S OUTBOX
LOG IN/TO PRESIDENT TODAY
IMMEDIATE TURNAROUND
NO DEADLINE
LAST DAY FOR ACTION -

ACTION
FYI

ADMIN CONFID
CONFIDENTIAL
SECRET
EYES ONLY

VICE PRESIDENT
EIZENSTAT
JORDAN
KRAFT
LIPSHUTZ
MOORE
POWELL
WATSON
WEXLER
BRZEZINSKI
MCINTYRE
SCHULTZE

ARAGON
BOURNE
BUTLER
H. CARTER
CLOUGH
COSTANZA
CRUIKSHANK
FALLOWS
FIRST LADY
GAMMILL
HARDEN
HUTCHESON
JAGODA
LINDER
MITCHELL
MOE
PETERSON
PETTIGREW
PRESS
RAFSHOON
SCHNEIDERS
VOORDE
WARREN
WISE

ADAMS
ANDRUS
BELL
BERGLAND
BLUMENTHAL
BROWN
CALIFANO
HARRIS
KREPS
MARSHALL
SCHLESINGER
STRAUSS
VANCE

THE WHITE HOUSE
WASHINGTON
23 February 1979

C

MEMORANDUM FOR THE PRESIDENT

FROM:

RICK HUTCHESON *Bell Simon for RH*

SUBJECT:

Status of Presidential Requests

ATTORNEY GENERAL BELL:

1. (1/17) Comment on the memo from IOB Chairman Tom Farmer -- In Progress, (expected 2/27, previously expected 2/14).
2. (2/7) (and McIntyre) On the proposal to establish a council to coordinate efforts of the Inspectors General and othersto combat waste and fraud: a) another council? b) possible to combine with positive aspect of efficiency and better government? c) how does Scotty feel about this? d) let an executive committee group meet to discuss and report to the President -- In Progress, (expected 2/27, previously expected 2/17).

EIZENSTAT:

1. (1/26) The President will see Doug Costle when he returns concerning EPA's ozone rules; Phil will set it up -- Done. *done*
2. (2/13) (and Moore) What can we do about the amendment by Senator Helms prohibiting the use of U.S. funds for technical assistance? -- In Progress, (with Congressional Liaison, expected 2/28).

WATSON:

1. (2/13) Consult with mayors, Eizenstat and McIntyre and let's move on agreed suggestions concerning existing federal grants-in-aid system. See the President to settle any disagreements -- Done, (in 2/17 Watson, et al. memo on State and Local Anti-Inflation Program memo). *done*

9:00 AM

THE WHITE HOUSE
WASHINGTON
February 24, 1979

PRC trips
Berkeley, Idaho

Q

MEMORANDUM FOR THE PRESIDENT

FROM:

JACK WATSON *Jack*

SUBJECT:

Proposed Agenda for the Cabinet Meeting
Monday, February 26, 1979
9:00 a.m. Cabinet Room

All Members of the Cabinet are expected to be in attendance except Secretary Blumenthal who will be represented by Deputy Secretary Robert Carswell, and Jim McIntyre who will be addressing the National Governors' Association at 9:45. Because of the Camp David meeting, it is unclear whether Secretary Vance will be able to attend. In the event he cannot, he will be represented by David Newsom, Under Secretary for Political Affairs. Secretary Harris is giving a speech Monday morning and will arrive late. I am attending the Democratic Governors breakfast and will, also, be a few minutes late. Pauline Schneider of my staff will take notes until I arrive.

FOREIGN ISSUES

Cabinet Travel to China

Zbig is concerned that several Members of the Cabinet are conferring with the People's Republic of China on a wide range of issues and are planning trips to the People's Republic of China without proper consultation with him or Cy. For example, Brock, Pat and Joe either have, or are negotiating, invitations for trips this spring and summer. (Zbig notes that Joe has been fully cooperative.) It will be useful if you specifically indicate that no one should be conducting negotiations with PRC representatives without the explicit knowledge and participation, if necessary, of appropriate NSC and State officials. Given the current situation in Vietnam, and the pervasive interconnection of issues that sometimes do not at first appear to be related, your senior foreign policy advisors need to be involved in deciding both the timing and substance of proposed trips.

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for Preservation Purposes

PRC-Vietnam Conflict

You may want to comment on the status of the conflict between the People's Republic of China and Vietnam.

Mexico Trip

This is the first Cabinet meeting since your trip to Mexico. You may want to brief the Cabinet on that trip and its results.

Camp David

You may want to comment briefly on the ministerial negotiations at Camp David.

Iran

You may want to comment on the situation in Iran.

DOMESTIC ISSUES

Anti-Inflation

Although Fred Kahn will not be present, you may want to comment on the state and local anti-inflation program which you announced last Wednesday. Since each relevant Department participated in its development, this would be a good chance to underscore its importance to you and the need for each Cabinet Member to follow through appropriately in those areas affected by specific Departmental activity.

Economy

You may want Charlie Schultze to comment on the latest economic indicators.

National Governors' Association Meeting

Most Members of the Cabinet will be participating in the NGA meetings Sunday through Tuesday. You may want to comment on your drop-by meeting with the Busbee Committee on International Trade and Foreign Relations on Sunday afternoon.

Constitutional Convention

Increasingly, Members of the Cabinet are being asked during Congressional testimony their views on the proposed Constitutional amendment to balance the Federal budget. You may want to provide some guidance to the Cabinet as to how you wish these questions handled, both as to substance and tone.

Emergency Energy Conservation

You may want to ask Jim Schlesinger to brief the Cabinet on the proposals regarding gas rationing and energy conservation measures.

California Trip

You may want to comment on your schedule of events for the March 2-3 California trip.

cc: Vice President



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

FEB 23 1979

MEMORANDUM FOR THE PRESIDENT

FROM: James T. McIntyre, Jr. 
SUBJECT: Eligibility Simplification Project

On December 13, 1978, you announced a major interdepartmental effort to simplify eligibility requirements for major income assistance and human services programs.

Joe Califano and I are directing this effort. We convened a Steering Group of Assistant Secretaries from HEW, USDA, HUD, DOL and CSA on January 30 to kick off the project.

At the next Cabinet meeting, it would be very helpful if you emphasized the importance of this review. You might mention:

- o Most citizens, particularly the poor and aged, simply cannot cope with the complicated application forms required for AFDC, SSI, Food Stamps, housing and other assistance programs.
- o These complex requirements directly contribute to high error rates and overhead costs.
- o In tandem with Welfare Reform, we must also undertake a broad effort to simplify the requirements for a number of related programs.

Joe Califano and I can elaborate on the objectives of this effort, as appropriate. The commitment of Ray Marshall, Bob Bergland and Pat Harris is essential to the success of this effort.

THE WHITE HOUSE
WASHINGTON

The attached was returned
on 2/28. Copies were
given to McIntyre &
Brzezinski

Pat

MEMORANDUM

~~SECRET~~

THE WHITE HOUSE

WASHINGTON

February 26, 1979

*Push hard to
get answer
from Iran
C*

~~SECRET~~

MEMORANDUM FOR: THE PRESIDENT
FROM: ZBIGNIEW BRZEZINSKI *ZB.*
SUBJECT: McIntyre's Memo to You on
Iran's FMS Status (S)

I believe that OMB and DOD's proposed defense supplemental is seriously in error in proposing a \$10 million cut in the Trident II program and a \$10 million deletion for second generation ALCMs. Such cuts could have disastrous effects on SALT. I recommend that you direct DOD to find this \$20 million elsewhere. Otherwise, I support the proposed supplemental. Though some of the cuts in NATO readiness may cost us politically, the need to keep Iran's trust fund account solvent is overriding. (S)

As regards Jim's proposed additional steps, I want to highlight for you the importance of obtaining Iranian agreement to cancel the two remaining CG 993s. Even if the supplemental is approved, Iran's account will not stay solvent for more than a few months unless these two ships are also cancelled. This is essential to the success of our approach. (S)

I agree that DOD should submit monthly reporting on the status of the trust fund, but request that the reports be jointly submitted to OMB and the NSC so that the management and political aspects of these efforts remain fully coordinated. (S)

RECOMMENDATION:

That you direct DOD and OMB to restore the proposed cuts in the Trident II and ALCM programs and propose alternative cuts in non-strategic systems.

APPROVE

DISAPPROVE

J

~~SECRET~~

Review on February 26, 1985

DECLASSIFIED

Per: Rac Project

ESDN: NLC-126-16-24-1-7

BY 145 NARA DATE 7/25/13

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~~CONFIDENTIAL~~



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

MEMORANDUM FOR: THE PRESIDENT

FROM: James T. McIntyre, Jr. *J. McIntyre*

SUBJECT: Financial and Budgetary Implications of Military Sales to Iran

The magnitude of outstanding Iranian military orders from the U.S. and uncertainties as to the attitude of the new government about continued purchases have major financial implications for the United States. We agreed with the Bakhtiar government in a February 3, 1979 Memorandum of Understanding to cancel some \$6.5 billion out of \$11.4 billion in outstanding orders and we assume the Khomeini will honor this agreement. There is, however, great uncertainty -- and potential U.S. liability -- regarding the new Khomeini government's attitude toward the remaining \$4.8 billion in contracts and its willingness or ability to make the near term payments necessary to sustain those contracts.

For each contract remaining in effect, we have three options: to terminate, continue procurement for U.S. military use, or transfer to another country. Termination requires a drawdown from the Iranian FMS trust fund account to pay contract termination costs. Continuation requires further payments to contractors (recently running \$40 million per week) that would in almost all cases require supplemental DOD budget funding. Transfer to third countries is "free" unless we provide some of the financing (as in FMS credits to Israel).

Harold Brown has submitted a detailed proposal to handle the \$6.5 billion in Iranian contracts cancelled by the Bakhtiar MOU. This memo outlines that plan, and describes what I believe to be the financial and Congressional implications of that scenario and its possible variations as we continue to talk to the Khomeini government.

DECLASSIFIED

Per, Rac Project

ESDN: NLC-126-16-24-1-7

BY KS NARA DATE 7/24/13

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

2

Defense Review of Iran FMS and the Revised Defense Supplemental
DOD would dispose of the cancelled equipment as follows:

(\$ millions)

Cancel totally	4,859*
Divert to FMS customers	102
Potential additional diversions to other FMS customers	135
Absorb by Service reprogramming	102
Proposed 1979 supplemental	<u>1,338</u>
Total	6,536

*Includes AWACS (\$1,317M), 105 F-16 (\$2,293M), 16 RF-4E (\$227M), 428 PHOENIX Missiles (\$166M).

Harold proposes to amend our existing FY 1979 Defense supplemental by transferring several Iranian contracts to the U.S., while deleting a number of items we had previously requested. This "zero cost" amendment primarily involves a ship substitution (the two Iranian CG-993's replace our earlier request for one DDG-993 and one FFG), and deletion of certain "readiness" items to permit purchase of Navy missiles and 55 F-16 aircraft now on contract. The revised supplemental still provides about \$400 million for strategic programs including M-X, and funds other high priority items including NATO AWACS, shipbuilding claims and Panama Canal facilities. Attachment A provides a detailed comparison of the revised supplemental and the supplemental now before Congress.

These revisions may strengthen the supplemental which is now in trouble in Congress. Its major drawback is that it shifts policy signals, since we would be removing many of the smaller "NATO readiness" items we inserted to justify the supplemental originally. In addition, 1979 and 1980 outlays would increase with the substitution (DOD estimates \$500 million and \$400 million respectively).

I recommend that you approve the proposed revision to the Defense supplemental. I am satisfied that the new items are needed by Defense and that their purchase at this time will result in savings both through the exercise of favorable contractual arrangements and through the avoidance of adverse cost impacts of production slow-downs. In addition, U.S. procurement of these items will avoid several hundred million dollars in program termination costs that would be charged to the Iranian trust fund account.

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

3

I believe that the revised supplemental still includes the highest priority items of the original supplemental, and that the new items are likely to be more acceptable to Congress on the grounds of urgency than the items they have displaced. I understand that the four Defense oversight committees have indicated support of the revised proposal.

Trust Fund Situation

Congressional approval of this supplemental will help the FMS trust fund cash flow problem in the Iranian account. Nevertheless, these actions will not be sufficient if, as we must prudently assume, Iran makes no further payments to the trust fund to cover outstanding contracts.

Even now Iran's current \$555 million trust fund balance is below the estimated \$565 million required to cover contract termination liabilities if all outstanding Iranian orders should be cancelled. We continue to draw down Iran's balance in order to make payments on outstanding contracts pending review of Iran's program and completion of administrative and legislative steps required to divert active contracts to Defense or other buyers. The only alternative -- termination -- would violate our undertakings under the Memorandum of Understanding with Iran and undercut our strategy of preserving our ties to the Iranian military. Termination would also forego opportunities to assume contracts at advantageous prices, disrupt production, and throw people out of work.

I believe we have little practical choice but to draw down Iran's trust fund below the funds necessary to cover termination costs of remaining major contracts to be terminated. However, it now seems prudent to assume that the Khomeini government may be unwilling or unable to provide trust fund payments on a prompt enough schedule to support continuation of any substantial portion of the remaining \$4.8 billion in outstanding contracts. I believe we must therefore face now the question of what further steps can be taken to limit our potential liability until our future military relationship with Iran has clarified. The table below depicts the changing status of the trust fund under three conditions: (1) Congress approves U.S. procurement of 4 CG-993's and 55 F-16's; (2) Congress approves U.S. procurement of 2 CG-993's and 55 F-16's; and (3) Congress rejects the supplemental.

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

4

Summary Status of Iran FMS Trust Fund Account
(\$ in millions)

	<u>Balance</u>	<u>Termination Cost</u>	<u>Net U.S. Liability</u>
February 22, 1979	555	565	10
April 1, 1979	301	565	264
July 1, 1979:			
#1. If Congress approves U.S. procurement of <u>4</u> CG-993's and 55 F-15's	587	183	---
#2. If Congress approves U.S. procurement of <u>2</u> CG-993's and 55 F-16's	275	256	---
#3. If Congress does not approve Administration request	0 (by mid-June)	535	535

As the table shows, if the supplemental is approved and other proposed actions are successful, Iran's balance in the trust fund will be sufficient to cover termination liabilities for the orders still outstanding, but there will be no funds beyond mid-July to cover progress payments. In the absence of additional Iranian payments, we would again be faced with the need to either terminate remaining contracts, seek alternative sources of funding, or dip into Iran's termination reserve. To avoid these contingencies, the following additional steps could be taken:

- Seek Iranian agreement to cancel the two remaining CG-993's and develop options for Defense to take over their contracts.
- Review the balance of Iranian orders and discuss with Iranian government options for reducing further payments from the trust fund.
- At the earliest practicable time, initiate discussions with Iranian government on resumption of payments to trust fund.

Of these additional steps, cancellation of the two remaining CG-993's and assumption of the contracts by Defense are the most urgent as they will return around \$200 million to the trust fund. Under the assumptions of the foregoing table, conversion of all four ships will keep a positive trust fund balance through the first quarter of CY 1980. Ambassador Sullivan has already broached the subject to Prime Minister Bazargan, who seemed favorably disposed to cancellation.

~~CONFIDENTIAL~~

Because these ships are already under construction, they can be acquired at very favorable prices - about \$200 million less per ship than current prices. Assuming Iran cancellation, there are the following options:

1. Discontinue all further effort on these second two ships. (The first two CG-993 destroyers would still be procured by the Navy in the revised supplemental.) Iran would lose about \$120 million in termination costs as well as \$240 million already invested in ship construction.

2. U.S. Navy purchase the additional two ships. Required financing of about \$700 million could come from reprogramming of 1978, 1979, and 1980 shipbuilding funds. In particular, about \$250 million would be available from 1978 appropriations for a DD-963 destroyer not yet on contract.

I recommend that we seek to obtain an early understanding with Iran on the two ships. In the likely event of Iranian cancellation, I propose that we plan to purchase the two ships along the lines of option 2 above.

Because we will be at risk for an extended period until Iran is able to resume payments to the trust fund and Congress is likely to be critical of our management of the trust fund, I believe Defense should be requested to submit to you through OMB monthly status reports on Iran's account on actions being taken to close the gap between termination liability and the balance in the trust fund, and on problems requiring your guidance or decision.

Recommendations

I recommend that you take the following actions.

Approve zero 1979 Defense supplemental as described above for transmittal to Congress.

Agree ✓ Disagree _____

Request State and Defense to obtain early resolution of the two additional CG-993's. Defense should develop options by March 15 for financing the two ships assuming Iran will request cancellation.

Agree ✓ Disagree _____

Request Defense to take all feasible actions in coordination with State to reduce payments from the trust fund on outstanding Iranian orders.

Agree ✓ Disagree _____

Request Defense to submit a report on the first of each month through OMB on the status of Iran's trust fund account.

Agree ✓ Disagree _____

Check with 3/19 re NLCM II & Trident II

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February 23, 1979

FY 1979 Program Supplemental Revisions
(\$ millions)

<u>Item</u>	<u>Current Supplemental</u>	<u>Changes</u>	<u>Revised Supplemental</u>
<u>Iranian Items</u>			
CG 993	-	+628.0	628.0
F-16	-	+460.0	460.0
PHOENIX Missile	-	+107.2	107.2
HARPOON Missile	-	+116.9	116.9
STANDARD Missile	-	+25.9	25.9
Subtotal	-	+1,338.0	1,338.0
<u>Other Items</u>			
DDG 993	543.0	-543.0	-
M-X	190.0	-	190.0
M-X Basing Options	75.0	-	75.0
TRIDENT II	20.0	-10.0	10.0
Ammunition Upload Construction	26.2	-12.8	13.4
Transportation (POMCUS)	35.4	-17.4	18.0
NEWPORT NEWS Claims	97.7	-	97.7
NATO AWACS	85.1	-	85.1
Panama Canal	36.9	-	36.9
Shipboard Asbestos Correction	36.0	-	36.0
ALCM (B-52 Integration)	33.0	-	33.0
HAWK Spares	25.0	-	25.0
CTB (DARPA)	24.0	-10.1	13.9
B-52 (ODS, FRODS/Test Resources)	22.0	-	22.0
B-52 (SRAM/ALCM Test Set)	19.0	-	19.0
Combat Service Support			
Equipment (CSSE)	16.9	-	16.9
Force Training, Korea	15.8	-	15.8
NATO Anti-Tank Cooperative			
Development	18.7	-	18.7
MEECN VLF Improvements	8.8	-	8.8
Turkish Bases	8.4	-	8.4
SWATH	3.0	-	3.0
Vertical Obstruction File (DMA)	2.8	-	2.8
Sea Pay	7.9	-	7.9
CRAF	21.0	-	21.0
PERSHING II	42.0	-	42.0
Intelligence Program	2.5	- .4	2.1
Other Deletions (List attached)	744.3	-744.3	-
Total	<u>2,160.4</u>	<u>-</u>	<u>2,160.4</u>

February 23, 1979

FY 1979 Program Supplemental Deletions
(\$ in millions)

FFG-7	194.0
Aircraft Replenishment Spares	92.4
Dollar Revaluation	46.2
F-100 Engine Modules	42.0
Cost-of-Living Allowance (COLA)	36.0
Aircraft Exchangeable Component Repair	30.0
European Construction	30.0
C ³ Countermeasures	24.1
Close-in Weapons System (CIWS)	24.0
Control Analysis Center	21.6
Training, NATO-related	20.0
Aircraft Component Repairs	20.0
Nuclear Weapons Storage Communications	16.1
Materials Handling Equipment	15.0
Chemical/Biological Defense	12.2
Ship Component Repairs	11.6
Single Manager for Ammunition	10.0
2nd Generation ALCM	10.0
Very High Speed Integrated Circuits	9.0
Prepositioned Reserve Component General Hospital	8.4
European Telephone System	6.5
Common NATO Munitions	6.0
NATO JTIDS	6.0
Reserve Component Initiatives	5.4
Position Location Reporting System (PLRS)	4.6
Automated Tactical Air Control Centers	4.0
PERSHING Readiness Improvements	3.7
JCS Exercises	1.7
Strategic Satellite System	3.6
Surface Ship ASW Towed Array (TACTAS)	3.5
NORTHAG Planning Staff	3.3
PENGUIN	3.0
SSBNX	3.0
FB-111 SRAM Training Device	3.0
PERSHING IA Modifications	2.8
Insensitive High Explosives	2.1
Adaptive HF System	2.0
Planning and Design	2.0
Special Application EW	1.9
Base Operations	2.0
WWMCCS Low-Cost Anti-Jam Device	1.0
2nd Destination Transportation (CSSE)	.3
DCA Manpower, European Communications	.3
	<u>744.3</u>

ID 790735

THE WHITE HOUSE

WASHINGTON

DATE: 26 FEB 79

FOR ACTION: ZBIG BRZEZINSKI

INFO ONLY:

SUBJECT: ~~CONFIDENTIAL~~ MCINTYRE MEMO RE FINANCIAL AND BUDGETARY
IMPLICATIONS OF MILITARY SALES TO IRAN

+++++
+ RESPONSE DUE TO RICK HUTCHESON STAFF SECRETARY (456-7052) +
+ BY: +
+++++

ACTION REQUESTED: YOUR COMMENTS IMMEDIATE TURNAROUND

STAFF RESPONSE: () I CONCUR. () NO COMMENT. () HOLD.

PLEASE NOTE OTHER COMMENTS BELOW:

~~CONFIDENTIAL~~

*Call 697-8388 - Judy
when P. has seen*

DECLASSIFIED
Per: Rac Project
ESDN: NLC-12C-16-24-1-7
BY: KS NARA DATE 7/24/13

THE WHITE HOUSE

WASHINGTON

February 24, 1979

MEMORANDUM FOR: THE PRESIDENT

FROM: ANNE WEXLER 

SUBJECT: Activities Report
Week Ending February 23, 1979

1. Hospital Cost Containment

Briefings for business organizations (Roundtable, NAM, NFIB,) trade associations, corporations with large health plans, insurance companies, elderly and consumer groups are now scheduled to begin Wednesday and will last all week. Briefers will be Kahn, Schultze, and Domestic Policy Staff. I believe that the recent note in the Wall Street Journal (attached) reemphasizes that we must present hospital cost containment as anti-inflation versus special interest. We must make the recalcitrant Committee members face the inflationary concerns of their constituents. Therefore we are giving increased emphasis to endorsements and witnesses stressing the anti-inflation points, and carefully targeted media activities.

2. Countercyclical Fiscal Assistance

We met with the public interest groups (mayors, governors, counties, etc.) and they will support our proposal. We are working with various White House staffs on an appropriate way to announce the legislation so as to encourage efforts on the Hill by individual mayors. A high visibility announcement is important to restate our commitment and to energize outside lobbyists.

3. Multi-lateral Trade Negotiations

Your appearance before Governor Busbee's Trade Subcommittee at the National Governors Conference will be helpful in increasing public perception of the importance of international trade and the MTN in reducing inflation, expanding exports and providing jobs. The March 30

regional trade seminar in Boston is generating increased excitement with a number of Senators and Congressmen expressing an interest in participating. Our next regional trade Conference will be in the Southeast.

4. China

Representatives of the PRC and Taiwan-oriented business trade associations are working with White House Congressional Liaison on the bill to protect our position on the Omnibus bill. If necessary, they will help on the reprogramming with the Senate Appropriations Subcommittee.

5. SALT II

Organizational efforts continue.

FRIDAY, FEBRUARY 23, 1979

Washington Wire

A Special Weekly Report From
The Wall Street Journal's
Capital Bureau

7 DIM PROSPECTS confront the administration's revived drive for a bill to control hospital costs. California Rep. Waxman, new head of a House subcommittee on health, shows sympathy; backers hope growing inflation fear will sell the bill. But a House aide says the hospital industry has the needed opposing votes on Waxman's subcommittee "locked up, in blood."

THE WHITE HOUSE

WASHINGTON

February 23, 1979

①

MEMORANDUM FOR THE PRESIDENT

FROM: HUGH CARTER *HC*

SUBJECT: Weekly Mail Report (Per Your Request)

Below are statistics on Presidential and First Family:

<u>INCOMING</u>	<u>WEEK ENDING 2/16</u>	<u>WEEK ENDING 2/23</u>
Presidential	32,810	22,470
First Lady	1,690	1,210
Amy	430	330
<u>Other First Family</u>	<u>50</u>	<u>45</u>
TOTAL	34,980	24,055

BACKLOG

Presidential	5,830	9,390
First Lady	150	340
Amy	0	0
<u>Other</u>	<u>0</u>	<u>0</u>
TOTAL	5,980	9,730

DISTRIBUTION OF PRESIDENTIAL MAIL ANALYZED

Agency Referrals	11%	13%
WH Correspondence	53%	48%
Unanswerable Mail	14%	16%
White House Staff	4%	4%
Greetings Requests	18%	18%
<u>Other</u>	<u>0</u>	<u>1%</u>
TOTAL	100%	100%

NOT INCLUDED ABOVE

Form Letters	0	0
Form Post Cards	5,125	0
Mail Addressed to White House Staff	17,227	10,065

cc: Senior Staff

MAJOR ISSUES IN
CURRENT PRESIDENTIAL ADULT MAIL
Week Ending 2/23/79

ISSUES	PRO	CON	COMMENT ONLY	NUMBER LETTERS
Support for National Health Plan	92%	8%	0	514
Support for Budget Cutbacks for FY 1980	0	100%	0	470
Support for FAA Proposals to Expand Air Traffic Control System	1%	99%	0	326
Support for Protest against Chinese Forces in Vietnam (1)	100%	0	0	308
Support for U.S. Intervention on Behalf of Sergeant Kraus in Iran (2)	100%	0	0	233
Support for Pelly Amendment to Fishermen's Protective Act of 1967	100%	0	0	209
Support for Deregulation of Trucking Industry	0	100%	0	202
Support for Recognition of People's Republic of China	2%	88%	10%	124
Support for Proposed IRS Guidelines for Determining Tax-exempt Status of Private Schools	5%	95%	0	114
			Total	2,500

(See Notes Attached)

Notes to Major Issue Tally

Week Ending February 23, 1979

- (1) SUPPORT FOR PROTEST AGAINST CHINESE FORCES IN VIETNAM
(100% Pro)

Fearing the possible involvement of the U.S. in a war, concerned citizens demand that the President condemn China and that the U.S. sever all relations with that country until troops are withdrawn from Vietnam.

- (2) SUPPORT FOR U.S. INTERVENTION ON BEHALF OF
SERGEANT KRAUS (100% Pro)

Both before and after the actual release of Sergeant Kraus, writers strongly supported U.S. intervention on his behalf.

THE WHITE HOUSE
WASHINGTON

2-26

TO: BOB LINDER
KATE KING

FROM: RICK HUTCHESON *R.H.*

Attached is the Presidnet's memo nominating Di & Clark as Coordinator of Refugee Affairs. Clark's staff is anxious to get this to the Hill ASAP to avoid congressional delays.

Jody plans to talk to Clark today about how to handle the appointment in the press. This should be released as soon as that's done.

Clark's guy is Chas Freeman at 632-9380.

THE WHITE HOUSE

WASHINGTON

MEMORANDUM TO: THE SECRETARY OF STATE
THE SECRETARY OF DEFENSE
THE ATTORNEY GENERAL
THE SECRETARY OF COMMERCE
THE SECRETARY OF LABOR
THE SECRETARY OF HEALTH, EDUCATION
AND WELFARE
THE ADMINISTRATOR OF THE AGENCY
FOR INTERNATIONAL DEVELOPMENT
THE DIRECTOR OF CENTRAL INTELLIGENCE
THE DIRECTOR OF THE OFFICE OF
MANAGEMENT AND BUDGET
THE DIRECTOR OF THE ACTION AGENCY
THE ASSISTANT TO THE PRESIDENT FOR
DOMESTIC AFFAIRS AND POLICY
THE ASSISTANT TO THE PRESIDENT FOR
NATIONAL SECURITY AFFAIRS

SUBJECT: Coordination of United States Refugee
Policy and Programs

I am nominating Dick Clark of Iowa as Ambassador-at-Large and United States Coordinator for Refugee Affairs.* Mr. Clark will also serve as Chairman of a new Interagency Committee on Refugee Affairs.

The U.S. Coordinator, under my direction and that of the Secretary of State, will be responsible to the fullest extent permitted by law for the:

- (a) Development of overall United States refugee and resettlement policy;
- (b) Coordination of all United States domestic and international refugee and resettlement programs with a view to assuring that policy objectives are met in a timely fashion;

* For purposes of this Directive the term "refugee affairs" refers to the affairs of persons who have fled or been displaced from home or homeland by events other than natural disasters, and does not include normal immigration matters or questions of asylum sought by individuals.

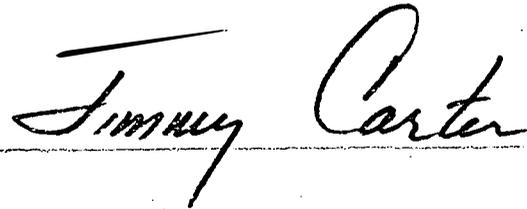
- (c) Design of an overall budget strategy to provide individual agencies with policy guidance on refugee matters in the preparation of their budget requests, and to provide the Office of Management and Budget an overview of all refugee related budget requests;
- (d) Presentation to the Congress of the Administration's overall refugee policy and the relationships of individual agency refugee budgets to that overall policy;
- (e) Advice to the Attorney General on the relationship of overall United States refugee policy to the admission of refugees to the United States;
- (f) Representation and negotiations on behalf of the United States with foreign governments and international organizations in discussions on refugee matters and, when appropriate, submitting refugee issues for inclusion in other international negotiations;
- (g) Development of effective and responsive liaison between the Federal Government and voluntary organizations, governors and mayors, and others involved in refugee relief and resettlement work to reflect overall U.S. Government policy; and
- (h) Preparation of a new executive order and/or legislative proposal(s); for transmission by OMB for final agency review, concerning such reorganization of refugee and resettlement programs as may be necessary to insure a coordinated refugee effort.

I am establishing an Interagency Committee on Refugee Affairs to be chaired by the U.S. Coordinator. The committee members will include regular representatives at the level of assistant secretary or their equivalent from AID, HEW, Justice, Labor, and State. Other agencies may send observers as appropriate and shall have similar level special representation when relevant to the subject under consideration. The Committee will meet from time to time at the call of the Chairman to assist in the coordination and implementation of U.S. Government refugee policies, programs, and activities.

Mr. Clark will undertake this important assignment with a small staff located in the Department of State. I request each of you to assure that your department and agency provides full cooperation and assistance to him, and that you designate promptly the senior official who will serve as your regular or special representative on the Interagency Committee on Refugee Affairs.

These actions are necessary because we are now witnessing a dramatic increase in the number of refugees in virtually all regions of the world, and the United States has increased substantially the number of refugees it receives for permanent resettlement and the support it provides for refugees here and elsewhere.

This Administration attaches great importance to effective refugee policies and programs. I want to reaffirm my interest in having domestic and international refugee, migration and resettlement policies and programs fully coordinated so that the United States and other members of the international community provide prompt, equitable and effective humanitarian refugee assistance.

A handwritten signature in cursive script, reading "Jimmy Carter". The signature is written in dark ink and is positioned above a horizontal line.



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

FEB 23 1979

MEMORANDUM FOR: THE PRESIDENT
FROM: James T. McIntyre, Jr. *Jim*
SUBJECT: Coordination of U.S. Refugee Policy and Programs

I am returning to you for signature the proposed Presidential memorandum to agencies that establishes Dick Clark in his new job as U.S. Coordinator for Refugee Affairs. We have revised the directive by --

- stating in item (a), as you indicated, that he is responsible for the "development" of refugee and resettlement policy (to the extent permitted by law), and
- substituting in item (g) responsibility for liaison with "governors and mayors" instead of "state and local governments".

This second change results from a meeting Tuesday, the 13th, between Clark and Joe Califano to resolve apparent differences between the two over Clark's role. The meeting, I understand, was harmonious and produced the agreed upon phrase "governors and mayors".

With those changes all interested parties are in accord with the text of the memorandum and urge your approval.

In your earlier review of the directive, you noted your desire that Clark should coordinate, not administer, programs pertaining to refugees once they arrive in this country. My staff assure me that he has no intention to administer activities in the United States pertaining to permanent resettlement.

You also indicated that special Federal resettlement activities should be phased out rapidly and that refugees should be moved into regular programs as soon as possible. The refugee legislation currently being drafted by State, Justice, and HEW would limit special Federal support to two years after entry for any particular refugee, after which time only regular programs would be available. The phaseout of the unique Cuban program will continue through 1983. We will soon have for you a decision memorandum dealing with the draft refugee legislation and its budgetary consequences.

Attachment

ID 790715

THE WHITE HOUSE

WASHINGTON

DATE: 23 FEB 79

FOR ACTION:

INFO ONLY: TIM KRAFT

BOB LIPSHUTZ

ZBIG BRZEZINSKI

JODY POWELL

SUBJECT: MCINTYRE MEMO RE COORDINATION OF US REFUGEE POLICY
AND PROGRAM

```

+++++
+ RESPONSE DUE TO RICK HUTCHESON STAFF SECRETARY (456-7052) +
+ BY: +
+++++

```

ACTION REQUESTED:

STAFF RESPONSE: () I CONCUR. () NO COMMENT. () HOLD.

PLEASE NOTE OTHER COMMENTS BELOW:

THE WHITE HOUSE
WASHINGTON

2/7/79

Mr. President:

Kraft, Lipshutz, Powell and Brzezinski concur with OMB and Vance.

Jody comments: "It is clear that Joe can't run what he's got over there. He shouldn't mind giving someone else a shot at a little piece of it."

Bernie Aronson reviewed the text of the proposed presidential memo.

Memos from Vance and Califano (attached) are summarized in OMB's cover memo.

Rick

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

FEB 2 1979

*Coordination by
Dick is o.k. I do not
want him trying
to administer the
refugee programs
once they arrive
in this country
JC*

MEMORANDUM FOR THE PRESIDENT

FROM: James T. McIntyre, Jr. 

SUBJECT: Coordination of U.S. Refugee Policy and Programs

Attached is a memorandum from Secretary of State Vance that recommends your approval of a Presidential memorandum announcing your nomination of former Senator Dick Clark as Ambassador-at-Large and U.S. Coordinator for Refugee Affairs and establishing an Interagency Committee on Refugee Affairs which he will chair.

The Presidential memorandum results from wide discussions by Mr. Clark, Secretary Vance, and others in the State Department with agency heads and others in the executive agencies concerned with refugees. The memorandum was circulated among those agencies by OMB and has the concurrence of all, except for some concerns expressed by Secretary Califano.

While endorsing the nomination of Mr. Clark and the general idea of the memorandum, Secretary Califano believes that items (a) and (g) can be construed so as to inject the Coordinator into the operations of resettlement programs for which the Department of Health, Education and Welfare is held accountable by the Congress. Item (a) makes the Coordinator responsible for "Formulation of overall U.S. refugee and resettlement policy". Item (g) makes him responsible for "Development of effective and responsive liaison between the Federal Government and voluntary organizations, state and local governments, and others involved in refugee relief and resettlement work to reflect overall U.S. Government policy."

OMB recommends your approval of the proposed memorandum on the grounds that it is necessary to arm the Coordinator with adequate authority and that Secretary Califano's concerns should be alleviated by the limitation stated in the second paragraph that the Coordinator's responsibilities are "to the fullest extent permitted by law". Therefore, the responsibilities of the Coordinator do not intrude into the statutory responsibilities of other officials.

Attachment

THE WHITE HOUSE
WASHINGTON

MEMORANDUM TO:

THE SECRETARY OF STATE
THE SECRETARY OF DEFENSE
THE ATTORNEY GENERAL
THE SECRETARY OF COMMERCE
THE SECRETARY OF LABOR
THE SECRETARY OF HEALTH, EDUCATION,
AND WELFARE
THE ADMINISTRATOR OF THE AGENCY
FOR INTERNATIONAL DEVELOPMENT
THE DIRECTOR OF CENTRAL INTELLIGENCE
THE DIRECTOR OF THE OFFICE OF
MANAGEMENT AND BUDGET
THE DIRECTOR OF THE ACTION AGENCY
THE ASSISTANT TO THE PRESIDENT FOR
DOMESTIC AFFAIRS AND POLICY
THE ASSISTANT TO THE PRESIDENT FOR
NATIONAL SECURITY AFFAIRS

*Refugee programs
within U.S. as a
special deal should
be phased out
as rapidly as
possible -
move people
into regular
program -
Cubans,
Vietnamese,
etc.*

SUBJECT: Coordination of United States Refugee
Policy and Programs

I am nominating Dick Clark of Iowa as Ambassador-at-Large and United States Coordinator for Refugee Affairs.* Mr. Clark will also serve as Chairman of a new Interagency Committee on Refugee Affairs.

The U.S. Coordinator, under my direction and that of the Secretary of State, will be responsible to the fullest extent permitted by law for the:

- Coordinating the Development*
- (a) ~~Formulation~~ of overall United States refugee and resettlement policy;
 - (b) Coordination of all United States domestic and international refugee and resettlement programs with a view to assuring that policy objectives are met in a timely fashion;

*For purposes of this Directive the term "refugee affairs" refers to the affairs of persons who have fled or been displaced from home or homeland by events other than natural disasters, and does not include normal immigration matters or questions of asylum sought by individuals.

For how long after they come to U.S. ? until what happens ?

- (c) Design of an overall budget strategy to provide individual agencies with policy guidance on refugee matters in the preparation of their budget requests, and to provide the Office of Management and Budget overview of all refugee-related budget requests;
- (d) Presentation to the Congress of the Administration's overall refugee policy and the relationships of individual agency refugee budgets to that overall policy;
- (e) Advice to the Attorney General on the relationship of overall United States refugee policy to the admission of refugees to the United States;
- (f) Representation and negotiations on behalf of the United States with foreign governments and international organizations in discussions on refugee matters and, when appropriate, submitting refugee issues for inclusion in other international negotiations;
- (g) Development of effective and responsive liaison between the Federal government and voluntary organizations, ~~state and local governments~~, and others involved in refugee relief and resettlement work to reflect overall U.S. Government policy; and
- (h) Preparation of a new executive order and/or legislative proposal(s), for transmission by OMB for final agency review, concerning such reorganization of refugee and resettlement programs as may be necessary to insure a coordinated refugee effort.

I am establishing an Interagency Committee on Refugee Affairs to be chaired by the U.S. Coordinator. The committee members will include regular representatives at the level of assistant secretary or their equivalent from AID, HEW, Justice, Labor, and State. Other agencies may send observers as appropriate and shall have similar level special representation when relevant to the subject under consideration. The Committee will meet from time to time at the call of the Chairman to assist in the coordination and implementation of U.S. Government refugee policies, programs, and activities.

Mr. Clark will undertake this important assignment with a small staff located in the Department of State. I request each of you to assure that your department and agency provides full cooperation and assistance to him, and that you designate promptly the senior official who will serve as your regular or special representative on the Interagency Committee on Refugee Affairs.

These actions are necessary because we are now witnessing a dramatic increase in the number of refugees in virtually all regions of the world, and the United States has increased substantially the number of refugees it receives for permanent resettlement and the support it provides for refugees here and elsewhere.

This Administration attaches great importance to effective refugee policies and programs. I want to reaffirm my interest in having domestic and international refugee, migration and resettlement policies and programs fully coordinated so that the United States and other members of the international community provide prompt, equitable and effective humanitarian refugee assistance.

THE SECRETARY OF STATE
WASHINGTON

January 27, 1979

MEMORANDUM TO: THE PRESIDENT
FROM: Cyrus Vance *CV*
SUBJECT: Coordination of Refugee Policy and
Programs

We have discussed the need to improve the effectiveness of our refugee effort. The United States has to deal with the increasingly difficult refugee situation that we face in virtually all areas of the world and cope with the demands of resettling large numbers of refugees here.

As you know, I have asked Dick Clark to consider taking on the responsibility for improving our performance in refugee affairs. Dick has discussed the task extensively with Members of Congress, senior Administration officials and experts in the field. He has spent the last week reviewing programs and outlining a strategy to deal with the most pressing issues of policy, budget presentation, and program coordination.

Dick is prepared to serve as Ambassador-at-Large and United States Coordinator for Refugee Affairs if he is given the authority to coordinate and improve refugee programs which the foreign policy and domestic agencies manage.

I am attaching a directive for your signature which gives the Coordinator appropriate authorities. The directive would give Dick a mandate to the extent permitted by law to formulate overall refugee policy, present that policy to the Congress, negotiate abroad, coordinate programs, design a budget strategy, prepare necessary reorganization proposals, and develop ties with the private sector and state and local governments. Dick would chair an interagency committee which on a permanent basis would include State, AID, HEW, Justice and Labor. Other agencies would join when their presence is required and the NSC and OMB will send observers.

The directive has been circulated by OMB and cleared by OMB and all interested agencies except HEW. HEW prefers -1- a less precise formula for the Coordinator's responsibilities in overall policy formulation than contained in paragraph (a); and -2- deletion of reference to the Coordinator's role in developing liaison with state and local governments from paragraph (g). Dick Clark has considered carefully HEW's views on these subjects, and feels strongly that he cannot accept the responsibilities of US Coordinator if his authorities for overall policy formulation and liaison with state and local governments are not clear.

I agree that Dick needs our full support if he is to take on this difficult assignment and recommend that you sign the directive as it is presently drafted.

THE WHITE HOUSE

WASHINGTON

2/8/79

Jim McIntyre

The attached was returned in the President's outbox today and is forwarded to you for appropriate handling.

Rick Hutcheson

cc: Stu Eizenstat
Jody Powell
Zbig Brzezinski



THE SECRETARY OF HEALTH, EDUCATION, AND WELFARE
WASHINGTON, D. C. 20201

JAN 29 1979

MEMORANDUM FOR THE PRESIDENT

SUBJECT: COORDINATION OF REFUGEE POLICY AND PROGRAMS

Over the weekend Secretary Vance sent you a draft Presidential Directive outlining Dick Clark's responsibilities as the new U. S. Coordinator for Refugee Affairs. In transmitting the draft, Secretary Vance noted that HEW takes issue with two of its sections. My purpose here is to explain our concerns:

1. The draft would give the Coordinator responsibility for "formulation of overall United States refugee and resettlement policy." I believe that the Coordinator should take the lead in coordinating the formulation of an overall statement of U. S. policy, but that the basic responsibility for formulating resettlement policy must remain in HEW, where by law the resettlement programs are located.
2. The draft would give the Coordinator responsibility for the development of liaison between the Federal Government and state and local governments. I can understand that the Coordinator may want to communicate with governors and mayors, and occasions may arise in which such communication could advance the resettlement effort. Nevertheless, HEW--the Department to which the funds are appropriated and on which the legal obligation to operate these programs is imposed--must maintain the principal responsibility for liaison with state and local governments. To change signals at this point will confuse and annoy the governors and mayors (and their social welfare and health departments) and will undermine the effectiveness of our resettlement programs, which decisively depend on HEW's collaboration with the states in such areas as public assistance, Medicaid, public health, and social services.

The President
Page 2

I endorse the idea of broad coordination of refugee policies and programs, and I think that Dick Clark is an excellent choice to be the Coordinator. I also agree that he should report to you and to Secretary Vance. At the same time, it is foolhardy to believe that the Coordinator can manage both the admissions policies and the domestic resettlement programs from the State Department or the White House. The current guiding philosophy of domestic resettlement policies is that assistance programs should, in so far as possible, be integrated into the established programs for serving needy Americans. To attempt to centralize the running of the resettlement programs in the Coordinator is to give him responsibility without authority and to create misunderstanding and confusion in HEW, the Congress, state and local governments, and the voluntary agencies.

To issue the directive as drafted by State in these two respects is to issue an unenforceable order--one that is contrary to the statutory relationships between the states and HEW, to say nothing of the Congressional-HEW relationships in terms of oversight and appropriations. In short, there is no way the President, the Secretary of State, and the Secretary of HEW can agree to give this authority to someone who is outside the statutory and traditional relationships and have any reasonable hope that it will work.


Joseph A. Califano, Jr.

THE WHITE HOUSE

WASHINGTON

Date: 3 February 1979

MEMORANDUM

FOR ACTION:

JORDAN - may want Wed pm
KRAFT
LIPSHUTZ concur
ARONSON i P w/ [unclear]

FOR INFORMATION:

THE VICE PRESIDENT
EIZENSTAT
POWELL attached
BRZEZINSKI - concur

FROM: Rick Hutcheson, Staff Secretary

SUBJECT: MCINTYRE MEMO, COORDINATION OF US REFUGEE POLICY AND PROGRAMS

**YOUR RESPONSE MUST BE DELIVERED
TO THE STAFF SECRETARY BY:**

TIME: 9:00 AM

DAY: TUESDAY

DATE: 6 February

check w/ Miller

ACTION REQUESTED:

Your comments

Other:

STAFF RESPONSE:

I concur.

No comment.

Please note other comments below:

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately. (Telephone, 7052)

THE WHITE HOUSE

WASHINGTON

Date: 3 February 1979

MEMORANDUM

FOR ACTION:

JORDAN
KRAFT
LIPSHUTZ
ARONSON

FOR INFORMATION:

THE VICE PRESIDENT
EIZENSTAT
POWELL
BRZEZINSKI

FROM: Rick Hutcheson, Staff Secretary

SUBJECT: MCINTYRE MEMO, COORDINATION OF US REFUGEE POLICY AND PROGRAMS

YOUR RESPONSE MUST BE DELIVERED
TO THE STAFF SECRETARY BY:

TIME: 9:00 AM

DAY: TUESDAY

DATE: 6 February

ACTION REQUESTED:

Your comments

Other:

STAFF RESPONSE:

I concur.

No comment.

Please note other comments below:

It is clear that Joe can't
run what he's got over there. He
shouldn't mind giving someone else
a shot at a little piece of it.
I would like to know ASAP when decision is
made so we can move out a goodly % of
the report for

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

reptiles —

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

February 5, 1979

MEMORANDUM FOR: RICK HUTCHESON
FROM: CHRISTINE DODSON *CD*
SUBJECT: Coordination of U.S. Refugee Policy
and Programs

The NSC has thoroughly reviewed this proposal and strongly supports its implementation.

THE WHITE HOUSE

WASHINGTON

Date: 3 February 1979

MEMORANDUM

FOR ACTION:

JORDAN
KRAFT
LIPSHUTZ
ARONSON

FOR INFORMATION:

THE VICE PRESIDENT
EIZENSTAT
POWELL
BRZEZINSKI

FROM: Rick Hutcheson, Staff Secretary

SUBJECT: MCINTYRE MEMO, COORDINATION OF US REFUGEE POLICY AND PROGRAMS

5 - FEB 1979

YOUR RESPONSE MUST BE DELIVERED
TO THE STAFF SECRETARY BY:

TIME: 9:00 AM

DAY: TUESDAY

DATE: 6 February

ACTION REQUESTED:

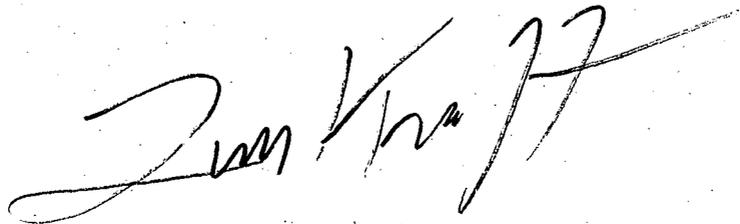
Your comments

Other:

STAFF RESPONSE:

I concur. with OMB. No comment.

Please note other comments below:



THE WHITE HOUSE
WASHINGTON

Date: 3 February 1979

MEMORANDUM

FOR ACTION:

JORDAN
KRAFT
LIPSHUTZ
ARONSON

FOR INFORMATION:

THE VICE PRESIDENT
EIZENSTAT
POWELL
BRZEZINSKI

FROM: Rick Hutcheson, Staff Secretary

SUBJECT: MCINTYRE MEMO, COORDINATION OF US REFUGEE POLICY AND PROGRAMS

YOUR RESPONSE MUST BE DELIVERED
TO THE STAFF SECRETARY BY:

TIME: 9:00 AM

DAY: TUESDAY

DATE: 6 February

ACTION REQUESTED:

Your comments

Other:

STAFF RESPONSE:

I concur.

No comment.

Please note other comments below:

GF

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

NGA -

2-25-79

Busbee, Bush, Keys

Gov - 1/4 time - Trade

See increasing importance

Fed + State

Met w/ Chmn NAT Gov Asso

Trade, export policy,

Exp Admin Act: Control \rightarrow promotion

Dangers of protectionism

MTN

US/Mexico/Europe/Japan

Taiwan/LDC's = Trade

Bus/govt, common purpose

Ex Im 7477/7B \rightarrow 7480/4-B

SBA

4/79 Regulatory obstacles

Anti-trust study, Justice apply

Exports 1/9 jobs 1/4 farm*

national governors
association

meeting with George Busbee's
committee 2/25/79

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THE WHITE HOUSE
WASHINGTON

2-26-79

Cabinet

- > Recog. 1.13
- > Gov. keeps - Exports - obstacles
- > RW I - VP call
- > Yport dereg
- > D. 2 = 90% oil/gas open for dev.
- > Hosp cost
- > Crop Insurance
- > Energy - Oil swap - Prices \rightarrow 55/bob
Hess - 200 45 \rightarrow 42 755
- > MTN / CVD - B+ - then Congress
TV won't veto
- > PRC trips
- > Bergland - Idaho
B. 79 & deficit
- > RW I
- > Foreign policy support
- > Taiwan
- > Panama
- > Mid East
- > PRC / UN
- > Iran ~ 3000 us

THE WHITE HOUSE
WASHINGTON

Econ - ^{Index of} Sales & inventories ↓
Weather & Econ strong = Price bad
Housing
Gas - Indexed program 1% ^{\$} Oct - 1.5 B.1

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diplomatic credentials presentation
2/26/79

THE WHITE HOUSE
WASHINGTON

Credentials

2-26-79

GUATEMALA - MONTERROSO - (Mex)(ET)
PRES LUCAS

AMB OBIOLS
BELIZE : NICARAGUA
FM CASTILLO VALDEZ WANTS VISIT

MAURITANIA - SIDI - (Iran)(SU)
COL SALECK

ECON DEV : W. SAHARA

PAKISTAN - SULTAN MUHAMMAD KHAN
(PRC) - (Can) - (Jap)
PRES ZIA

PAKISTAN PROBS - CONSULT -
CHRISTOPHER THIS WEEK
BRUNTO. 179 ELECTIONS

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2/26/79

Frank
says no-

THE WHITE HOUSE
WASHINGTON

Could you call Fritz
Holdings about
reprogramming - for Taiwan.
I believe this is
the only hope we have
on this issue.

Fritz has real
problems with the rest
of his sub-committee.
I can send you this
morning ~~and~~ a short
memo on the consequences
of failing to reprogram.

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meeting with secretary schlesinger
2/26/79



Department of Energy
Washington, D.C. 20585



*Dörck - Under
* Bill Maxwell
Wayne Smith*

*NRC in bad shape
Bad luck - not!*

*Myers? }
EPA Bandine }
Kobinsky - same story?
Koffelinger - Dugout mining*

MEMORANDUM FOR THE PRESIDENT

FROM: JIM SCHLESINGER *JS*

SUBJECT: PROGRAM FOR RESPONDING TO IRAN OIL CURTAILMENTS

Attached is an overall Response Program for dealing with shortfalls in oil production resulting from events in Iran.

Tab 1 of the attached Program provides an overall summary of the oil supply situation and the graduated series of measures designed to protect the U.S. from potentially harmful shortfalls in crude oil and petroleum product stocks.

The remainder of the Program provides greater detail concerning crude and product markets and the various proposed voluntary and mandatory response measures.

A reading of Tab 1 should provide you with a critical overview of the general supply situation as well as the proposed Program.

*ORBA
LWR
a) Post-acc lead in pro
b) burn coal power? ambient
c) Rapid 7.0. - 50% standards
Advising lighting*

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barishnikov 2-25-79
ballet recital

MIKHAIL BARYSHNIKOV
(MISHA)

PERFORMANCE

TALENT - TECHNIQUE - STYLE

ARTISTIC COURAGE

> SUPERSTAR

BEST OF OUR TIME

" HE CAN BE

SIZE OF STAGE

INTIMACY

PATRICIA MACBRIDE

HEATHER WATTS

LIVE, WORK IN U.S.

ART IS UNIVERSAL

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COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

February 23, 1979

CHARLES L. SCHULTZE, CHAIRMAN
LYLE E. GRAMLEY
WILLIAM D. NORDHAUS

EYES ONLY

MEMORANDUM FOR THE PRESIDENT

FROM: Lyle E. Gramley

Subject: New Orders for Durable Goods in January

On Monday (February 26) at 2:00 p. m. the Census Bureau will release its preliminary estimate of new orders for durable goods in January. Total new orders went up 4.1 percent, and the December increase was revised up from 0.2 percent to 2.0 percent.

New orders for durable goods are volatile; a 4 percent increase in one month is large, but not exceptionally so. Producers are probably gearing up to replace inventories depleted by the strength of consumer spending in the fourth quarter. The January increase, moreover, comes on top of a strong upward trend of orders during the latter half of 1978. Relative to 6 months earlier, total new orders in January were up roughly 40 percent at an annual rate. This is a huge increase, even after allowing for the fact that capital goods prices have been rising at an 8 to 9 percent annual rate.

Orders for nondefense capital goods, an indicator of business fixed capital spending, were particularly strong in January, rising almost 13 percent. Over the past half year, these orders have risen at an annual rate of over 50 percent, a much faster rate of increase than in the first half of last year.

These indications of investment strength buttress our view that the economy is still basically strong and that a recession in 1979 is unlikely. Over the long run, expansion in the capital stock will also help to improve productivity and combat inflation.

Continued large increases in total durable goods orders, however, are not a good sign. We badly need a cooling off in the rate of economic expansion, and we need it soon, to contribute to a moderation of inflation. Other monthly indicators of economic activity for January suggest that some slowdown may be underway in the first quarter. With this latest figure, however, we cannot be sure.

**Electrostatic Copy Made
for Preservation Purposes**

THE WHITE HOUSE

WASHINGTON

26 Feb 79

Frank Moore

The attached was returned in the President's
outbox today and is forwarded to you for
appropriate handling.

Rick Hutcheson

The Vice President

Hamilton Jordan

Jack Watson

Stu Eizenstat

ADMINISTRATIVELY CONFIDENTIAL

THE WHITE HOUSE
WASHINGTON

Frank J

February 24, 1979

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR THE PRESIDENT

FROM: FRANK MOORE

SUBJECT: Weekly Legislative Report

I. DOMESTIC ISSUES

1. Real Wage Insurance -- Ullman agreed to convene a Committee Caucus on Wednesday to decide the future of RWI. We have asked Stu, Kahn, and Schultze to recontact the Democratic Members with whom they talked earlier. If you want to make some calls prior to the Caucus we suggest the following:

Vanik (D-Ohio) -- thinks RWI is a bad idea because it gives the Republicans a vehicle to more indexing;

Brodhead (D-Mich) -- would rather spend money in other areas (health, etc);

Jacobs (D-Ind) -- wants to use the money to reduce the budget deficit;

Pickle (D-Texas) -- probably soft in his opposition based on principle -- thinks it's bad policy;

Jones (D-Okla) -- is undecided -- could be swayed by the Chairman's uneasiness.

2. Trucking De-regulation -- The Kennedy-Cannon jurisdictional dispute has not been resolved. In fact, Kennedy still has not introduced the bill and we believe there is a good possibility that he will not. If he does not put the bill in, he would avoid a fight which he would lose. Although the Kennedy staff are still hopeful that the dispute can be worked out, Senator Kennedy has introduced another "pro competition" bill covering truck and rail regulation. The new bill includes a section that would accomplish essentially

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*I will if
necessary
on Feb 27, as
you prefer*

Silly

the same ends as the narrower rate bureau bill. However, Kennedy does not intend to use the new bill as a means of striking the anti-trust exemption.

Hearings on the new bill are scheduled to begin on March 6 and Administration witnesses have been requested. House committee and WH staff are meeting weekly on on the legislation. We anticipate a bill by the first of April.

3. Alaska National Interest Lands -- The Fisheries and Wildlife Conservation Subcommittee of the House Merchant Marine and Fisheries Committee will continue hearings on the Alaska legislation next week. The House Interior Committee is scheduled to begin mark-up on Tuesday, February 27.

Certain difficulties appear to be developing in the Merchant Marine and Fisheries Subcommittee, particularly regarding the oil and gas issue and the hunting issue. Subcommittee members are attempting to tie the Alaska issue in with the current Iranian oil crisis, thereby threatening the proposed Arctic Wilderness designation. Subcommittee Chairman John Breaux is the key here.

4. Hospital Cost Containment -- Apparently, the Administration's bill will not be ready for unveiling until March 5, only a week before the appropriate House and Senate committees begin hearings. As you know, the Health Subcommittee of Senate Finance will hold hearings on cost containment on March 13 and 14, and the full Committee will mark-up the bill during the week of March 19th. The latest tentative draft bill would not fall within the jurisdiction of Senator Kennedy's Health Subcommittee, a fact which distresses his staff. Present plans call for Senator Nelson to be the chief Senate sponsor, another fact which disturbs the Kennedy staff, but greatly pleases Nelson.

On the House side, Waxman and Rangel have agreed to start with a joint hearing, which is now scheduled for March 12. The situation remains unchanged, with Ways and Means our best hope and Commerce our toughest fight.

Our task force -- under Dick Moe's chairmanship -- is coordinating strategy.

5. Crop Insurance -- USDA hopes to transmit to the Congress by early next week the Administration's top priority farm proposal -- reform of the crop insurance and disaster protection system. The bill would create a nationwide, all-

Let me know projected costs (net increase)

risk insurance program with limited Federal subsidy to apply to crops grown on nearly 90 percent of all farmland. It would replace the present low-yield disaster payment program which applies only to six crops, the limited and unsubsidized crop insurance system now in place, and low-interest disaster loans for those commodities eligible for insurance. Congressman Ed Jones of Tennessee, chairman of the relevant House Agriculture subcommittee, will begin hearings Tuesday and has promised quick action. Dee Huddleston, chairman of the relevant Senate subcommittee, is less enthusiastic and may present some obstacles which we are seeking to overcome.

6. Sugar -- The House Agriculture Committee will hear testimony Tuesday, Wednesday and Thursday on sugar legislation, urging the inclusion of the Administration's proposal for a 15.8-cent-per-pound price support for 1979 crop sugar.

USDA's general assessment of the reaction to your decision is that sugar state Members feel the two year impasse has been broken and that while there are still problems to be ironed out, we're near to a bloodless solution.

7. Energy -- Senator Jackson introduced a motion to disapprove the energy actions deregulating aviation gas and jet fuel on February 22. The motion failed by recorded vote of 34-53. Since neither the Senate nor the House were in session Friday to vote on any further disapproval motions, the energy actions will become effective on February 26. The vote indicates there is still strong deregulation sentiment in the Senate. Only one Republican (Javits) voted against us. However, among the freshmen, Tsongas, Exon, Pryor, Baucus and Bradley were against deregulation.

8. DOJ Authorization -- On February 21, the Attorney General testified before the Senate Judiciary Committee in support of the Department's FY 1980 program and funding level authorization request. Chairman Kennedy is taking a very aggressive look at all of DOJ's authorization requests this year. The Attorney General expressed doubts that courts can comply and raised the possibility of thousands of criminals being released because they had not received speedy trials.

9. CVD -- By a vote of 29 to 1, the House Ways and Means Committee Wednesday agreed to a bill restoring Treasury's authority to waive countervailing duties on imports. The authority had expired on January 2 of this year.

As approved by the Committee, the measure would make the authority retroactive to January 3 and extended to September 30, the end of the fiscal year.

The Rules Committee could take it up early next week. The Ways and Means Committee will request a closed rule with two hours of Floor debate. Floor action has not yet been scheduled, but could come as early as next week.

10. Nurse Training Act -- Senator Williams has agreed to hold hearings on both our version and Senator Kennedy's version of the Nurse Training Act. We have started working with subcommittee staff and Members urging deauthorization of capitation and other programs.

We have been successful this year in getting a much earlier start on issues of this nature. We are hopeful that making our presence known at the subcommittee level will slow the momentum of our opposition.

11. HEW Rescissions -- The House Labor-HEW Appropriations subcommittee took an unprecedented action on Thursday when it approved a total of \$61.8 million in rescissions of Fiscal 1979 appropriations approved last year for HEW programs. The recommended rescissions are in the health and education areas.

This success was the first win for our Budget Task Force. It is especially significant because it provides a good precedent for actions on other rescissions and for upcoming action this year in the subcommittee. It also provides a foundation for working with Chairman Natcher later in the year. He was brilliant in orchestrating the subcommittee action.

These rescissions will be marked-up in full committee as early as Thursday, with floor action anticipated for March 6 or 7. We are in the process of formulating a strategy for full committee mark-up. Jim McIntyre is meeting with Senator Magnuson next Wednesday about expediting consideration of rescissions in the Senate.

In view of Chairman Natcher's support last week, we will ask you to call him to thank him and urge him to continue to work closely with the Administration in the coming months.

The full Appropriations Committee chairman, Jamie Whitten, was present for the Subcommittee mark-up. Although he did not participate in the deliberations, his presence must signal approval of the Subcommittee action. We will also ask that you call him.

II. FOREIGN POLICY ISSUES

1. Taiwan Legislation -- The SFRC mark-up on the Taiwan Omnibus Bill was held February 21-22. The security resolution, while stronger than we would have wished, represents a compromise worked out by Senators Church, Javits and Baker. It avoids the harsher terms originally proposed by Javits. It should elicit bipartisan support on the floor and withstand any attempt by conservatives to add stronger language.

HFAC has now postponed its mark-up of the Taiwan Bill until Tuesday, February 27. The staff has produced a draft bill which picks up the same themes which were apparent in the Senate -- i.e., security, privileges and immunities, adequate protection for business assets and elaborations on the functions of the American Institute on Taiwan.

We are most concerned about the Taiwan legislation on the House floor. It is difficult to get an accurate vote count because of so many new members who have no voting record on foreign policy matters. We can expect numerous politically attractive amendments, e.g., stronger security guarantees for Taiwan, that may cause serious problems on the House floor. We are beginning counts in both the House and the Senate.

The Woodcock nomination has been calendared and has cleared SFRC. It should come to floor on Monday. We anticipate no major opposition, although there could be delaying tactics resulting from the Chinese-Vietnam conflict.

Contrary to other reports we have received, Senator Helms has told Senator Church that he would not filibuster the Woodcock nomination, but has made no commitments on the Taiwan legislation. If it appears the legislation has broad support Helms could break his commitment to Church and filibuster Woodcock to keep the legislation off the Senate floor.

2. Taiwan Reprogramming -- Senator Hollings continues to hold up the reprogramming of funds from our embassy on Taiwan to the new Institute. If he does not relent by March 1 our unofficial dealings with Taiwan will be thrown into chaos. We may ask you to intercede with Hollings if we can't move him by Monday. He insists his concerns are based on the substantive issue of the Institute, but our guess is that textiles are playing a major role in his actions.

3. Iran -- Public frustration over our apparent inability to control events in Iran seemed to crystalize around the plight of Sgt. Krause this week. Congressional offices from all over the country reported record numbers of calls from

concerned individuals. His release relieved a great deal of tension. For the moment this concern overshadowed the continuing Congressional worry about the possible compromise of U.S.-supplied sophisticated weapons to Iran. In meeting these concerns we have been trying to deflect Congressional attention to the broader issues of future U.S. relations with the new government in Iran. Unless we are successful in this refocusing we can expect pressure for restrictive legislation on arms transfers, particularly the more sophisticated and sensitive hardware.

Under Secretary Newsom met with the Speaker Friday to discuss some of the Speaker's concerns about the Iranian question and the Soviet role in the region.

4. Anti-Terrorism Legislation -- The first hearing on this legislation is Wednesday, February 28. The director of State's anti-terrorism office, Ambassador Tony Quainton, will testify. Following the murder of Ambassador Dubs, the kidnapping of Sgt. Krause, and the resultant high level public interest in terrorism, we anticipate renewed enthusiasm for anti-terrorism legislation.

*There is a
hand on
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will accept*

Bills have been introduced by Senators Ribicoff and Javits and Congressman Anderson. We believe that some necessary changes can be made if we stress that they are needed for the most effective actions against international terrorism. The bills must go through nine different committees before they find their way to your desk.

5. DOD Budget Hearings -- On Wednesday Secretary Brown appeared before the Senate Budget Committee on the FY 1980 Defense Budget. The tone of the hearing was very pro-defense with the exception of Senators Metzenbaum and Riegle who questioned our defense requirements in general. A great amount of time was spent on the three percent growth issue, allied involvement, and what our commitment means. Other major issues discussed were the all-volunteer force and possible savings with conscription; MX and its basing mode; SALT II and the cost; and personnel and retirement costs. Next Wednesday Secretary Brown will make a similar appearance before the House Budget Committee.

6. Panama Canal Implementing Legislation -- Last week DOD CL took eight Members of the House Post Office and Civil Service Committee to Panama to hold two days of hearings on the labor provisions of the implementing legislation. The

general tone of the hearings was that the Committee is not prepared at this time to be as generous with employee incentives and retirement options as proposed in the implementing legislation. They would prefer a self-supporting treaty. This could cause serious problems, and we need to watch this closely as the legislation moves through the Congress. Jack Murphy and seven Members of the Merchant Marine and Fisheries Committee departed Friday for a three-day visit of the Canal Zone before the Committee mark-up.

III. MISCELLANEOUS

Mass Transit -- Congressman Howard, a key to us on trucking deregulation is upset over the Watson/Adams announcement concerning \$200 M for mass transit. Howard remembers our opposition to funds for mass transit in the transportation bill last year.

Ethics-in-Government -- Members generally expressed concern over potential delays in the nomination process which could result from provisions of the new ethics-in-government act which give OPM's new Office of Government Ethics 90 days to study a nominee's potential conflict of interest and advise the relevant Senate committee.

HEARINGS

Significant hearings involving Administration officials this week include:

<u>Date</u>	<u>Witness</u>	<u>Committee</u>	<u>Subject</u>
Mon. 2/26	Secretary Califano	Senate Approp.	HEW Appropriations
Tues. 2/27	Secretary Brown	House Budget	DOD FY '80 Budget
	General Haig	House Armed Services	DOD Authorization Defense Posture
	Secretary Bergland	Senate Approp.	USDA Appropriation
	Secretary Andrus	Senate Approp.	Interior FY '80 Budget
Wed.	Director Webster, FBI	House Gov. Op.	FOIA/Privacy Act Compliance
	Secretary Kreps	House Approp.	Commerce Approp.
Thurs. 3/1	Admiral Rickover	House Armed Services	Naval Reactor
	Secy. Schlesinger	Senate Approp.	FY '80 Budget

THE WHITE HOUSE
WASHINGTON

26 Feb 79

Jack Watson

The attached was returned in the President's
outbox today and is forwarded to you for
appropriate handling.

Rick Hutcheson

Tim Kraft
Jerry Rafshoon

THE WHITE HOUSE

WASHINGTON

February 24, 1979

MEMORANDUM FOR THE PRESIDENT

FROM: JACK WATSON *Jack*

SUBJECT: Weekly Report

Urban Policy Implementation

The Interagency Coordinating Council and my staff are devoting considerable time to implementing your urban policy decisions of last year. We are refining a permanent tracking system to monitor the numerous administrative actions taken by each agency as part of the urban policy.

ok March 27th marks the first anniversary of the announcement of your urban policy. I am preparing a status report on its implementation. This booklet will show what the Carter Administration is doing for the nation's cities. A preliminary review of agency accomplishments shows that you have much to be proud of in this area. We are planning to release it in conjunction with your speech at the Jefferson-Jackson Day Dinner in Milwaukee on March 31st. Therefore, I hope you will approve an urban theme for that speech. As you know, Henry Maier was an original proponent of such a policy.

I made three significant urban program announcements the past two weeks which flow directly from your urban policy:

- DoT-Urban Initiatives: Last Thursday, February 15, Brock and I announced a \$200 million joint development/intermodal initiative to be carried out by UMTA. At my urging it has been modeled after Bob Embry's UDAG program with an emphasis on national competition among cities and private sector leveraging.

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- Federal Home Loan Bank Board: This Thursday, February 22, Bob McKinney and I announced that the FHLBB has reached the \$1.3 billion mark in its Community Investment Fund program. You announced this initiative last June. It is a five year, \$10 billion effort to provide incentives to savings and loan associations to invest in urban revitalization.

- Air Quality Technical Assistance: I issued a White House press release (February 22) on behalf of four agencies (EPA, HUD, DoT, EDA) which have jointly designed, managed, and funded a program that will help cities to sustain economic development while meeting clean air standards. This is a \$4 million initiative included in your urban policy and the awardees are Boston, Chicago, Bridgeport, Elizabeth, New Jersey, Buffalo, Philadelphia, Los Angeles, and Portland.

Anti-Inflation

The announcement of the state and local anti-inflation program was well received. Your personal participation was significant. I will be following through with Fred to insure there is widespread participation by states, cities, and counties.

Rosalyn paid a surprise visit to the reception for the state and local officials following the announcement. It was deeply appreciated by everyone.

National Governors' Association Meeting

The NGA meeting this week will feature significant Administration representation. Gene Eidenberg and I have coordinated the Cabinet and Senior Staff's participation. Every major Committee and plenary session will have senior Administration representation.

Your drop-by to the Busbee Committee session will dramatically underscore the importance you attach to export expansion. George will announce, with our concurrence, a series of gubernatorially-hosted regional export seminars in March, April and May. There will be one in the east, mid-west, and west. Business and labor leaders will be invited by the several host governors. Senior Administration representatives will headline each seminar (Strauss, Kreps, etc.).

Council of State Governments Meeting

On Saturday morning, Gene and I met in the Roosevelt Room with the Executive Committee of the Council of State Governments. The Committee is comprised of Governor George Nigh of Oklahoma, Tommy O'Neill of Massachusetts and a number of Speakers and Presidents of state houses and senates. We discussed the anti-inflation program, the FY 1980 budget, and the proposed Constitutional amendment.

Significantly, there was no expressed opposition to our view that the amendment is an unwise idea. The President of the Kansas Senate (Kansas has passed a resolution calling for a convention) suggested his legislature might rescind its resolution if there was another way to achieve the balanced budget. I believe legislative leaders are becoming scared the movement for the convention and/or an amendment is getting out of control and will do damage. If we manage this situation carefully, I believe we can prevent an amendment. We suggested that state legislative leaders may want to meet with Congressional leaders to discuss their concern and ways of balancing the budget without amending the Constitution.

We underscored the fact, which they all acknowledged, that you are working to balance the budget and are making substantial progress towards that goal.

2/26

THE WHITE HOUSE
WASHINGTON

nell--

please send a xerox of
attached to wolff....and
original to file

thanks--susan

sent
file

DEPUTY SPECIAL REPRESENTATIVE FOR TRADE NEGOTIATIONS
EXECUTIVE OFFICE OF THE PRESIDENT
WASHINGTON, D.C. 20506
202-395-5114

cc Alan
Thanks
JC

26 February, 1979

Mr. President -

You should know that you saved yesterday's trade committee meeting at the Governor's conference, which emphasized mainly how Washington was strangling exports. Your 20 minute extemporaneous remarks turned the negative tone around. Because of it, I'd say that the Governor will now take a more enthusiastic role in trade issues.

Alan Wolff

3:00 PM

THE WHITE HOUSE
WASHINGTON

February 23, 1979

MEMORANDUM FOR THE PRESIDENT

FROM: ZBIGNIEW BRZEZINSKI *ZB*
JACK WATSON *Jack*

SUBJECT: Meeting with the National Governors' Association:
Sunday, February 25, 1979
3:00 p.m. - 30 minutes
Yorktown Room
Hyatt Regency on Capitol Hill

PURPOSE

This meeting is an opportunity for you to demonstrate your commitment to export expansion, encourage the Governors to take an active role in export promotion, and show your willingness to hear the Governors' views on U.S. export performance and policy. You are to make general comments for 10 minutes and to take questions from the Governors for 10 minutes.

BACKGROUND, PARTICIPANTS, AND PRESS ARRANGEMENTS

Background: Governor Busbee is convening the first meeting of the NGA's Committee on International Trade and Foreign Relations, which was established at your suggestion. This first session is a seminar for the Governors so they may become informed on the various issues relating to trade, export policy and the states' role in export expansion.

Dean Rusk, who has been critical of the Administration's export control policy, will have addressed the Governors before your arrival. Secretary Kreps will also have spoken to the Governors on the Administration's export policy. The Governors are preparing a statement on export policy and revisions of the Export Administration Act that go well beyond your directive that agencies should take export consequences fully into account when considering the use of export controls for foreign policy purposes.

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Participants: Approximately 300 people will be in attendance, including the Governors, Administration officials, Academic and Business leaders, a Member of Congress and some press. Those at the head table will be:

Governor George Busbee
Dean Rusk
Juanita Kreps
Barber B. Conable (Ranking Minority Member)
House Ways & Means Committee
Mark Shepherd, Jr. (President, Texas Instruments, Inc.)

Press Arrangements: There will be open press coverage of your appearance. Several members of the press were invited to participate in the seminar by Governor Busbee before your acceptance of his invitation. We have instructed Busbee's staff that the ground rules for the seminar are that only Governors are to ask questions of you. We do not want this drop-by to become a mini-press conference. Busbee's people are agreeable and will handle the press.

ISSUES FOR DISCUSSION

Export Administration Act: Governor Busbee's Committee is proposing major revisions in the Export Administration Act (EAA), which provides our legal authority for export controls. The Act expires on September 30; Congressional hearings on renewal of the legislation begin March 5. In brief, the Governors want to convert an export control bill into an export promotion act. Their proposed legislation: (1) guarantees American business the right to export; (2) establishes elaborate rule-making proceedings, including the right to appeal export license denials; and (3) puts severe restrictions on the use of export controls for foreign policy purposes.

The latter point is of particular concern. We are reviewing this issue within the Administration in preparation for upcoming Congressional hearings, and OMB will send you a decision memo early next week. We recommend you speak to the Governors in general terms about the need to expand exports and avoid making any commitments at this time on new export control legislation.

Direct Assistance to U.S. Exporters

The National Export Policy: The Governors may comment on the National Export Policy. Some have been critical of the assistance their states receive from the Federal government. The following paragraphs summarize the experience to date of the policy.

1. Export-Import Bank: Your FY 1980 budget request seeks a major increase in Eximbank's loan authorizations, bringing the allowable to \$4.1 billion.* The Eximbank also has instituted useful new programs to encourage smaller exporters, agricultural commodity sales, and engineering and construction services.
2. Small Business Administration (SBA) Loans to Small Business: In September, you directed SBA to channel up to \$100 million in loan guarantees as seed money to small business exporters. Progress has been slower than hoped and Commerce is encouraging SBA to implement the program more effectively.
3. Export Development Program: By 1980 Commerce should be able to provide exporters with computerized access to international marketing opportunities abroad and expose American products to foreign markets. State is seeking to increase the number of commercial officers in key markets around the world and Commerce is expanding domestic export stimulation programs and country action programs.

Reduction of Domestic Barriers to Exports

1. Export Consequences of Regulations: A comprehensive interagency study of export disincentives is now underway. A final report is due in April.
2. Foreign Corrupt Practices Act: Commerce and Justice are preparing guidance to the business community on the scope and meaning of the Foreign Corrupt Practices Act. This guidance should reduce some of the uncertainty about the application of this statute. Areas of doubt will remain: the statute itself is vague and law enforcement officials are reluctant to limit their flexibility.

* Up from \$700 million in FY 1977.

3. Antitrust Laws: In September, you called for the creation of a Business Advisory Council to advise the National Commission for the Review of Antitrust Laws and Procedures. The Council made recommendations to the Commission, which has completed its formal activities and published its report.

The Justice Department is attempting to expedite requests by business firms for guidance on international antitrust issues: export-related requests for business review letters will be answered within 30 days from the date Justice receives all relevant data.

4. Environmental Reviews: Your Executive Order on the environmental effects abroad of major Federal actions has received mixed reviews from the business community. Exporters generally resent extension of national environmental policy to foreign transactions but many of them recognize and appreciate that the Order exempts export licenses from its coverage, clarifies the kinds of environmental reviews required, and reduces uncertainties.

Talking Points are attached.

TALKING POINTS

1. This is the first time that the Governors have joined together to work on trade in this way, and I think this is an important development. I'm happy to be a part of this first formal meeting of your committee.
2. I congratulate you on your choice of Chairman. Governor Busbee has considerable experience and has had notable success in this field. I look forward to a close working relationship with this committee. Increasing exports can play an important part in our battle to control inflation while keeping our economy strong and our people working.
3. Export expansion is critical to our national interest and I strongly support your efforts to vigorously pursue new markets for American goods.

Each of you is aware of how important exports are to your state economies. More than one out of every nine Americans employed in manufacturing industries produces goods that are exported. Exports also account for \$1 out of every \$4 of farm sales. But the basic importance of exports is that they are the principal means by which the U.S. pays for its purchases from abroad. Imports have become increasingly important to the American standard of living -- and they have to be paid for.

4. The National Export Policy that I announced last September is an important first step toward encouraging American industry and agriculture to expand foreign sales. Juanita has already spoken to you about our current efforts and our plans for the future. I am glad that we have this opportunity to hear your own views on the export programs that the nation needs.
5. In addition, American industry must enhance its competitiveness and its adaptability to foreign trade. Technological development and innovation by American firms are essential to our successful export performance.
6. The multilateral trade negotiations, which Bob Strauss and his colleagues are about to conclude successfully with a number of foreign nations, will open the door to foreign markets by reducing tariff barriers and establishing new trading rules. The MTN will also help U.S. industries and labor face the competition which results from increased trade.

7. I am counting on your support for approval by the Congress of the MTN package.
8. The Export Administration Act is also before the Congress this year. As we work to expand our exports, we must not lose sight of the fact that the main purpose of the Export Administration Act is to prevent the outflow of goods and technologies which could be detrimental to our national security or inconsistent with our overall foreign policy objectives.
9. I share the business community's concern about the need for certainty and promptness in the export licensing process. We are actively working on ways to streamline export licensing procedures and will take your own views fully into account. At the same time, I must have discretionary authority to prohibit exports which are not in the national interest.
10. As governors, you are in a pivotal position to encourage the businesses and industries in your states to increase exports. You and your trade and agriculture departments are in close touch with the potential and the needs of your state's producers. You can serve as a vital link to help make it possible to increase exports from your state, producing new jobs and safeguarding existing jobs in your communities, and strengthening the nation's economy.

THE WHITE HOUSE
WASHINGTON
26 Feb 79

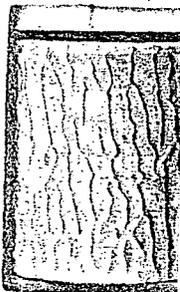
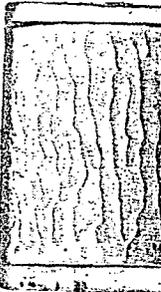
The Vice President
Hamilton Jordan
Stu Eizenstat
Tim Kraft
Bob Lipshutz
Frank Moore

Jody Powell
Jerry Rafshoon
Jack Watson
Anne Wexler
Jim McIntyre
Hugh Carter

The attached was returned in the President's
outbox today and is forwarded to you for
your information.

Rick Hutcheson

EYES ONLY



COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

February 24, 1979

CHARLES L. SCHULTZE, CHAIRMAN
LYLE E. GRAMLEY
WILLIAM D. NORDHAUS

MEMORANDUM FOR THE PRESIDENT

From: Lyle Gramley

Subject: CEA weekly Report

Charlie Schultze is in Paris at an OECD meeting this weekend. He will return Sunday night.

Energy Policy. CEA's staff is actively involved in the interagency effort to respond to the energy-supply implications of developments in Iran and to the various proposals under consideration within the government for dealing with longer-term energy demand and supply problems.

Regulatory Reform. Charlie will be testifying before Senator Muskie's Environmental Pollution Subcommittee next week along with Doug Costle and Fred Kahn. The Senator is very upset about the White House participation in the rule making process. The agencies involved are working with DPS to make the best of what will probably be a highly contentious encounter. We will present a very positive face on our activities, stating that we firmly believe in the goals of environmental legislation and want to see those goals reached. But, at the same time, we want to do so in as cost-effective a manner as possible, and believe that our efforts to achieve cost-effective regulations are proper and useful.

Hospital Costs. CEA's staff worked through the past several days with HEW, DPS, CWPS and OMB to develop final language for the hospital cost containment bill, which now is expected to go to the Congress this week.

Anti-Inflation Policy. An EPG deputies group including CEA representation is working on ways to strengthen the anti-inflation program in the wake of the very disappointing price data recently. The group is focusing on three areas: (1) actions that may be needed to cool off the economy early this year, and thereby to reduce price pressures, (2) actions to reduce food price inflation, and (3) actions to reduce demand for and the cost of housing.

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Department of Energy
Washington, D.C. 20585

February 23, 1979

MEMORANDUM FOR:

THE PRESIDENT

FROM:

JIM SCHLESINGER *JS*

SUBJECT: Weekly Activity Report
February 17-23, 1979

1. Updating of Allocation Base Period for Motor Gasoline Under the Emergency Petroleum Allocation Act. The Department announced this week that effective March 1 it is activating a limited portion of its standby petroleum product allocation regulations by updating the base period for allocation of motor gasoline. Previously, allocations to firms have been computed on a 1972 base period. Future monthly gasoline allocations will be based on the amount of gasoline bought by a firm in a corresponding month between July 1, 1977, and June 30, 1978. It was necessary to change the base period because of substantially different market conditions. For example, the 1972 base period tended to favor businesses that have had a decline in sales over those businesses that have grown. We are making these regulations effective for a three-month period, but that period may be extended after review and consideration of public comment.
2. Energy Conservation Contingency Plans. The Department has prepared four mandatory energy conservation contingency plans and a mandatory gasoline rationing plan for submission to Congress. The four conservation plans cover such areas as commuter parking restrictions, thermostat controls in commercial and public buildings, weekend gasoline station closings and restrictions on the use of illuminated outdoor advertising. The plans were prepared in accordance with the Energy Policy and Conservation Act, have been coordinated through the OMB interagency clearance process and are being submitted to you for approval. The plans require congressional action before they are available for use in an emergency.
3. Restrictions on the Use of Decorative Gas Lighting. We have published a notice of proposed rulemaking to implement the decorative gas lighting ban provided for in the Fuel Use Act of the National Energy Act. The Act prohibits the installation of gas-fueled outdoor lighting fixtures as of the date the Act was signed and outlines procedures and dates for

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curtailing gas supplies for outdoor lighting purposes. If gas for outdoor lighting was being used before the Act was signed on November 9, 1978, gas may be supplied for that purpose until November 5, 1979 in the case of industrial and commercial customers; in the case of residential and municipal customers, gas may be supplied until January 1, 1982. The completion of this rulemaking will provide a visible measure to discourage wasteful energy consumption.

4. Public Awareness Efforts Related to the Shortfall of Petroleum Due to the Lack of Exports from Iran. The Department is taking steps to increase public awareness of voluntary actions necessary to limit oil consumption and to bring about support of mandatory controls if they should become necessary. For example, next week I am meeting with the National Governors' Association and with four western governors. Also, I have had a number of sessions with private groups such as the Chamber of Commerce and the Business Roundtable. We are taking additional steps to provide the general public with the information necessary to make them aware of voluntary actions to be taken to respond to the present Iranian oil curtailment and to educate them as to the facts of the current situation.

5. Spent Nuclear Fuel Legislation. The Department early next week will transmit to Congress proposed legislation to implement the Presidential policy, announced in October 1977, to provide for federal management of spent nuclear fuel. Principal features of the bill include: authority for DOE to accept domestic and foreign spent fuel for interim storage and permanent disposal in return for a nondiscriminatory charge which recovers all costs of the program; establishment of a revolving fund to finance the program; authority to make expenditures for activities related to away-from-reactor interim storage of spent fuel, with a prohibition on expenditures for construction of a permanent repository until expressly authorized by Congress; and authority for NRC licensing of a spent fuel storage facility.

6. Marginal Well Rulemaking: The Department is completing the preparation of a final rulemaking which would provide increased prices for so-called marginal oil well production. Marginal wells are existing wells with low and declining production rates which, in many cases, require increased prices to evoke incremental production toward the end of their productive lives.



Office of the Attorney General
Washington, D. C. 20530

February 23, 1979

Principal Activities of the Department of Justice
for the Week of February 19 through February 23, 1979

1. Meetings and Events

The Attorney General testified before the Senate Judiciary Committee on Justice Department authorizations, met with a delegation from the Japanese Diet in a courtesy visit, met with Congressman Levitas over lunch on matters of mutual interest, and met with several Senators on judicial nominations.

2. Judicial Selection

There are currently 171 federal judgeship vacancies (152 under the new bill and 19 regular vacancies). There are currently 42 persons at some stage of the nomination and appointment process: 15 have been nominated and are pending at the Senate, 5 are at the White House awaiting Presidential nomination, and 22 are undergoing background investigations following tentative Presidential approval.

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THE SECRETARY OF THE INTERIOR
WASHINGTON

February 23, 1979

MEMORANDUM TO THE PRESIDENT

From: Secretary of the Interior

Subject: Major Topics for the Week of February 19

If it becomes necessary to ration gasoline, as Jim S. said the other day, I would urge you to not suggest closing gas stations on Sunday. There are other methods to accomplish the same end result. Sunday closures would have devastating impact on the economy and unemployment of states like New Hampshire, Vermont, Florida and most of the West where tourism is a major industry. I mentioned this to Jim after I read his comments in the paper, but you should be aware of the danger I see in that proposal.

It is becoming clearer that the mood of the states is for the Constitutional Convention approach to mandating a balanced budget. They are wrong, of course, but that won't change the action. I suggest that we capitalize on the inevitable and be prepared to preempt that action. We should not fight the issue because the press will make us the "losing villain" when 34 or more states pass the act. I have discussed this with Reubin Askew and he concurs.

I met with Gary Hart on a plan to help him create constructive dialog on Colorado's water concerns. We will attempt to do some alternative planning to the Narrows Project which will show a positive attitude instead of the current perception that seems to prevail. I don't think it will change our chances in 1980, but it will help Gary and keep the anti-West feeling from spreading.

Our Alaska posture looks better everyday. Basically due to your action on the monuments.


CECIL D. ANDRUS



DEPARTMENT OF AGRICULTURE
OFFICE OF THE SECRETARY
WASHINGTON, D. C. 20250

C
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February 23, 1979

MEMORANDUM TO THE PRESIDENT

THROUGH Rick Hutcheson
Staff Secretary

SUBJECT: Weekly Report

DEMONSTRATORS. I am back in my office.

There was strong support for continuing present policies at both the Rural Electric and Rural Telephone meetings this week (Houston, Atlanta). There were no suggestions -- from the 13,000, mostly active farmers, attending -- that we yield to the demonstrators' demands.

EXPORTS. USDA now estimates 1979 exports will reach the \$30 billion range. Two factors may lead to a greater increase: bitter cold in the USSR winter wheat area; and severe soil blowing in the North China wheat regions.

INDIANS. Received solid recommendations for improving agricultural programs for American Indians and Alaskan natives at a national conference in Albuquerque this week.

A handwritten signature in black ink, appearing to read "BOB BERGLAND".

BOB BERGLAND

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U. S. DEPARTMENT OF LABOR

OFFICE OF THE SECRETARY

WASHINGTON

C

February 23, 1979

MEMORANDUM FOR THE PRESIDENT

FROM: SECRETARY OF LABOR, Ray Marshall *RM*

SUBJECT: Major Departmental Activities, February 19-23

Shortfall in CETA jobs. On Wednesday, I issued a public statement clarifying the reasons why the number of participants in CETA jobs is below the level that had been anticipated.

Appropriations testimony. We had a little difficulty with the Senate appropriations subcommittee earlier in the week, both in regard to fraud and abuse in the CETA program and the size of our jobs and training budget. In my own testimony to them today, I think we made good progress toward clearing up their concerns.

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EXECUTIVE OFFICE OF THE PRESIDENT
COUNCIL ON ENVIRONMENTAL QUALITY
722 JACKSON PLACE, N. W.
WASHINGTON, D. C. 20006

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February 23, 1979

MEMORANDUM FOR THE PRESIDENT

FROM: Charles Warren
Gus Speth
Jane Yarn

SUBJECT: Weekly Status Report

Inflation and Environmental and Health Regulations. In the past week, actions by EOP officials raising concerns with inflationary impacts of environmental health regulations have caused serious controversies. In response, in a speech this week, Senator Muskie strongly attacked Administration efforts directed at environmental regulations; he is holding hearings on the issue next Tuesday.

We believe that Administration regulatory reform efforts, including those associated with the Regulatory Analysis Review Group (RARG), are too often pursued in a way that appears hostile to environmental and health regulations. This conveys the view that these regulations are one of the major causes of current inflation and that modification in these regulations could significantly reduce inflation.

This relationship is not correct. In our September 18, 1978, memorandum to you on this issue, we noted that based on a December 1976 Chase Econometrics, Inc. study, the net effect of a substantial (20 percent) relaxation of existing environmental requirements could reduce the increase in consumer price index by only about 0.1 percent. In January of this year, Data Resources, Inc. headed by Otto Eckstein, completed a study for CEQ and EPA that shows that the inflationary impacts of environmental regulations are less than predicted by Chase Econometrics. We have recently also learned of several studies that indicate that the benefits of federal environmental requirements exceed the costs.

Public opinion polls continue to show strong public support for environmental programs and the political costs of the attacks on such programs high.

We recommended in September that Administration efforts should focus more on "ferretting out old regulations that are anticompetitive or no longer serve a useful purpose and less on new regulatory proposals in the health and environmental areas."

You agreed with our September memorandum. We believe that this is an excellent time to form a small group of key advisors in this area to examine current Administration efforts to review new regulations and to assess the pros and cons of alternative ways of achieving Administration anti-inflation objectives in this area in the future.

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VETERANS ADMINISTRATION
OFFICE OF THE ADMINISTRATOR OF VETERANS AFFAIRS
WASHINGTON, D.C. 20420
FEBRUARY 23 1979

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• TO : The President
THRU : Rick Hutcheson, Staff Secretary
FROM : Administrator of Veterans Affairs

VA Presidential Update

Space Bind - Due to what GSA describes as a critical shortage of about \$7 million in leasing funds for FY 1979, VA is stymied in carrying out planned and direly needed space expansions and relocations. Impacted is space in Houston critical to installation and operation of our new TARGET high speed computer system for developing veteran claims, and the relocation or expansion of VA outpatient clinics in Boston, Columbus, Ohio, Lubbock, Tex., Mobile, Ala., Oakland, Calif., Orlando, Fla., and San Antonio. Also hanging fire are establishment of new clinics in Canton, Ohio, and Santa Barbara, Calif., as well as needed office space in Anchorage, Alaska, Atlanta and St. Petersburg, Fla.

Recoveries Up - There have been dramatic increases in VA collections for medical care provided veterans for industrially incurred diseases and injuries. From about \$3 million in the prior 2 fiscal years, these recoveries jumped to almost \$4.5 million in FY 1978, and a 25.7% increase has been experienced in the 1st quarter of this FY. Reason: Favorable legal decisions beginning in late 1977, capped by a Supreme Court decision on 10/2/78, established VA's right to reimbursement.

"Whistle Blower" Hotline - I notified all VA employees Feb. 8 of the number to call to report criminal activity, serious employee misconduct, and significant examples of waste and mismanagement. The hotline was opened Feb. 15. Some 20 calls were received in the 1st week of operation, 2 of them involving serious allegations, which are receiving prompt checkouts.

Top Female Doctor - We have promoted Dr. Marguerite T. Hays to Assistant Chief Medical Director for Research and Development. She is the first woman ever appointed to an ACMD position. With VA since 1967, and board certified in 2 medical specialties, Dr. Hays will supervise VA's \$123 million medical research program that has 2 Nobel laureates and a host of disease breakthroughs to its credit.

THE SPECIAL REPRESENTATIVE FOR
TRADE NEGOTIATIONS
WASHINGTON
20506

February 23, 1979

MEMORANDUM FOR THE PRESIDENT

From: Ambassador Robert S. Strauss 
Subject: Weekly Summary

We passed the waiver of countervail out of Ways and Means Subcommittee, 19-0 and out of the full Committee, 28-1. Maybe it was overkill but I wanted to put on a little bit of a show for the full House where the bill will probably come up next Thursday. It will be more difficult in the Senate.

I am late dictating this because I have just returned from New York where we met with Finance Minister Chretien and Ambassador Warren from Ottawa and I think we have concluded our MTN negotiations with them in a satisfactory manner. I will give you a more lengthy report prior to your meeting with Trudeau next week but you will be able to say to him that we were particularly sensitive to his political situation in his upcoming elections as we negotiated the final deal. Chretien will certainly have advised him of this by the time you meet.

In Geneva, we are on the verge of completing the vexing negotiations with the Australians. Fraser's "hopping around" and emotional approach has made it difficult.

The EC negotiations are in the very final, difficult stages. The problem of what the French will do with it remains even more questionable than the approval of our Congress, in my judgment. On the domestic political front, we have much to do and I am not sure just what it ought to be. As I said to you on the phone, it's a subject that lends itself to considerable unstructured discussion.

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THE SECRETARY OF THE TREASURY
WASHINGTON

February 23, 1979

MEMORANDUM FOR THE PRESIDENT

Subject: Highlights of Treasury Activities

1. THE DOLLAR

Foreign exchange markets remained steady this week despite the tensions and uncertainties generated by the Iranian situation and the military developments in Asia. The dollar continued to trade within a narrow range in terms of major foreign currencies. Intervention by the U.S. and most foreign countries was minimal, although the Japanese intervened moderately, selling dollars to support the yen.

The second Treasury DM note sale of DM 2.5 billion (about \$1.35 billion) was well subscribed.

2. EPG

The Steering Group met after the Anti-Inflation Breakfast with you on Thursday and will meet again next week to review staff work on the possible measures you discussed with your economic advisors at the breakfast. Discussions are being kept to a very small group.

In advance of next week's caucus on Real Wage Insurance, Steering Group members will contact each Ways and Means Committee Democrat. Through Frank Moore, we are asking you to call several members -- the most difficult ones, I'm afraid! At present, we have 18 votes -- one short -- and our support is far from firm. The caucus itself is unlikely to take even a straw vote, but the discussion there will set the tone. Unless we have strong support in the caucus, it is not certain Chairman Ullman will go to mark-up.


Robert Carswell
Acting Secretary



THE SECRETARY OF HEALTH, EDUCATION, AND WELFARE
WASHINGTON, D. C. 20201

February 23, 1979

MEMORANDUM FOR THE PRESIDENT

FROM JOSEPH A. CALIFANO, JR. *JAC*

SUBJECT: Weekly Report on HEW Activities

- Update on Student Loan Defaults: During FY 1978, we collected \$15.8 million in defaulted payments, a 64 percent increase over the \$9.6 million collected in FY 1977. This amount should continue to increase; in the first quarter of FY 1979, we collected \$7 million. So far, we have restored more than 64,000 defaulters to repayment status, and for the first time, we have achieved a net decrease in the default backlog in the Government-run student loan program. In addition, we have begun a pilot project to test the effectiveness of using private agencies to collect defaulted loans.
- Testimony: On Monday I will testify before the Senate Labor-HEW Appropriations Subcommittee on the HEW budget.
- West Coast Trip: Beginning Wednesday, I will visit HEW Regional Offices in Seattle and San Francisco, and join you for the DNC fundraiser on Friday night. I will meet with a broad range of community leaders in Seattle and with Hispanic leaders concerned with health, education, and welfare issues in Los Angeles.
- HEW Budget: The House Labor-HEW Appropriations Subcommittee took an unprecedented action on Thursday when it approved a total of \$61.8 million in rescissions of fiscal 1979 appropriations approved last year for HEW programs. The recommended rescissions are in the health and education areas.
- Disability: I testified on the Social Security Disability Insurance reform proposals on Thursday before the House Social Security Subcommittee. I believe that we will be able to work effectively with the Subcommittee and its staff to develop a disability measure within a relatively short time. It is Al Ullman's hope to move the disability legislation separately and early and to avoid considering other Social Security issues until later in the session.

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- Low Level Radiation: On Tuesday I will hold a press conference to explain our current policy on radiation and the current status of several radiation studies or investigations. We will also release for public comment five work papers developed by the Interagency Task Force which you directed me to establish last May. We will solicit comment on analyses and proposals in the areas of science and research, exposure reduction, care and benefits, records and privacy, and other related issues. In addition, we will release all previously unpublished studies and materials in HEW files on the health effects of exposure to radiation from atmospheric nuclear tests conducted prior to 1963 found so far.



THE SECRETARY OF TRANSPORTATION

WASHINGTON, D.C. 20590

February 23, 1979

MEMORANDUM FOR THE PRESIDENT

ATTENTION: Rick Hutcheson, Staff Secretary

FROM: Brock Adams

SUBJECT: Significant Issues for the Week of February 19

New Auto Initiatives - Continuing my efforts to work with the auto industry in developing new technology for a more fuel efficient car, I plan to meet next week with the presidents of Ford and GM and tour their research facilities. This is in followup to the conference I hosted last week in Boston with scientists from government and private sectors to discuss new auto technology. Accompanying me to Detroit will be the Interagency Task Force I have organized including representatives from the Department of Energy, Environmental Protection Agency, Department of Defense, Department of Justice, Department of Commerce, the Office of Management and Budget, Federal Trade Commission, and your Science Adviser, Frank Press.

Pan Am Evaluation of Americans in Iran - Fortunately, we have not had to activate Federal insurance coverage for Pan Am's flights into Iran. Earlier in the week, Pan Am advised us that the war risk liability insurance coverage it carries in the commercial market might be cancelled for operations into and out of Iran. My staff prepared the necessary documentation to activate emergency Federal insurance in the event cancellation occurred over the long holiday weekend. Under Title XIII of the Federal Aviation Act, such insurance can be activated only with your approval. As of this date, it has not been necessary to use Title XIII. Such insurance was provided to Pan Am during the 1973 Vietnam evacuations.

Urban Initiatives - Jack Watson and I announced the Transportation Urban Initiatives last week. We were able to develop this program in just over 90 days from the signing of the Surface Transportation Act and no new regulations are necessary to implement it. I anticipate that we will have a first round of grants ready to be awarded by the end of March to coincide with the first anniversary of your unveiling of the Administration's Urban Policy.

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State Legislation to Revoke 55 MPH Speed Limit - Legislators in 16 States now have introduced measures to increase the speed limit above 55 mph - Wyoming, California, Arkansas, Oregon, Idaho, Colorado, Texas, Washington, New Mexico, Nebraska, Nevada, South Dakota, West Virginia, Oklahoma, Illinois, and Utah.

We are continuing to oppose such measures vigorously, and are receiving excellent support from the Congress, the press, and the private sector. Representative Jim Howard, Chairman of the Surface Transportation Subcommittee of House Public Works, held a press conference in Denver to speak out on the issue, and advised rebellious State legislators they would find little sympathy in the Congress.

The Wyoming House of Representatives defeated a bill to increase the speed limit. Renewed concern for energy conservation in the wake of recent developments in Iran appears to have been the deciding factor.

THE SECRETARY OF COMMERCE
WASHINGTON, D.C. 20230

FYI

February 23, 1979

REPORT TO THE PRESIDENT

Implementation of our National Export Policy will be the subject of Sunday's meeting with the National Governors' Association. It will also be a central issue in my upcoming testimony before the Joint Economic Committee and my testimony on the extension of the Export Administration Act (where I will have an opportunity to note the Administration's success in achieving effective and balanced implementation of the antiboycott amendments). In all three appearances, I expect to be questioned closely on our progress since September.

The attached status report, some of which will be reflected in your talking points for Sunday, indicates the headway we have made. You should know, however, that the results have been mixed--in part because the problem is so big, in part because it takes time for the effects of policy changes to be felt, and in part, frankly, because of occasional indifference or resistance within the Administration. The Governors will be eager to hear you reaffirm your support --and every push by you helps us in implementing your policy more effectively.


Juanita M. Kreps

Attachment

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THE SECRETARY OF COMMERCE

WASHINGTON, D.C. 20230

February 23, 1979

FYI

SPECIAL REPORT TO THE PRESIDENT

SUBJECT: Progress in Implementing the National Export Policy

Direct Assistance to U.S. Exporters:

- Export-Import Bank. As promised in September's National Export Policy Statement, the Administration's FY 1980 budget request seeks a major increase in Eximbank's loan authorizations, bringing the allowable to \$4.1 billion. Eximbank also has instituted new programs to encourage small firm exports, agricultural commodity sales, and the export of engineering and construction services. The Bank also has been effective in encouraging its users to be more price-competitive. This is a good start, yet two problem areas continue to trouble Eximbank. Applications for the Bank's support are outstripping available resources. To meet foreign competition and to service the full range of exports needing Eximbank assistance while staying within budgetary limits, John Moore's Fixed Interest Rate Support proposal and other options are being intensively examined and warrant your interest and support. More resources surely will be required, particularly to support China trade and to meet the financing competition of other major industrial countries. Moreover, in a period of rising interest rates, the Bank has recently decided not to increase interest rates in its direct credit program in order to help meet foreign competition, but as the cost of money continues at high levels there is some question about how long interest rates can be held down.
- SBA Loans to Small Businesses. Since September SBA has made available approximately \$100 million in loan guarantees as seed money to help small business exporters enter foreign markets. As a result of close cooperation between SBA and Commerce, the amount of such loan guarantees made has increased substantially over the last few months. Even so, progress has been slower than hoped and we probably will not reach the \$100 million target this year.
- Export Development Program. In your September message you directed OMB to allocate an additional \$20 million for export development programs at Commerce and State. Approximately \$10 million of this amount was subsequently allocated by OMB, with State and Commerce reprogramming the remainder from other funds. In part, this money will be used to establish and maintain a computerized information system which will provide U.S. exporters with more timely information on international marketing opportunities abroad. It will also help increase the exposure of American products to foreign buyers. We are now working on this system and expect it to be operational next year. Concurrently, State is working to increase the number of commercial officers in key markets around the world while we are expanding our domestic export stimulation and country action programs.

I must emphasize we are still working within very tight resource restraints and with special attention to the cost-effectiveness aspects of our various promotional options.

Reduction of Domestic Barriers to Exports:

- Export Consequences of Regulations. A comprehensive interagency study of export disincentives is now underway with the final report due in April. We are finding increasing evidence that Federal regulations are having a significant effect on our trade balance. There are clear indications that many companies have lost business opportunities abroad, or have decided against exploring certain business opportunities abroad, because of the way we have applied some of our regulations. Routinely OMB is asking regulatory agencies to undertake detailed analyses of how the U.S. foreign trade position would be affected by proposed regulations while the Regulatory Analysis Review Group is also reviewing proposed regulatory actions in terms of their impact on exporting.
- Export Controls for Foreign Policy Purposes. Day-to-day decision-making on export license matters has been influenced by your instruction that foreign availability and adverse export consequences be weighed in reaching those decisions. Recently I have been discouraged to see several U.S. firms lose major sales in South Africa to German and British competitors because of strict construction in our foreign-policy-based export controls; yet these losses have gone virtually unnoticed on the South African social/political scene. Under new procedures soon to be adopted, an assessment of foreign availability as well as overall consequences of a denial will be made before an export license is denied for foreign policy purposes. Because foreign availability assessments are frequently difficult to make, we expect additional support from other Federal agencies will be required to perform this task adequately.
- Foreign Corrupt Practices Act. Commerce and Justice are working together to prepare and disseminate written guidance to the business community on the scope and meaning of the Foreign Corrupt Practices Act. This guidance should reduce some of the uncertainty about the application of this statute. Areas of doubt will remain, however, because of the vagueness of the statute itself and in part because of some reluctance on the part of Justice officials to limit their flexibility by drawing firm lines in areas of ambiguity.
- Antitrust Laws. In your September statement, you called for the creation of a Business Advisory Council to advise the National Commission for the Review of Antitrust Laws and Procedures. This Council made several significant recommendations to the Commission which has now completed its formal activities. Among the items included in the Commission's report to you is a recommendation that the antitrust exemption for U.S. firms forming a consortium to export goods not only be retained, but expanded to cover services. I urge your endorsement of this recommendation, further demonstrating your commitment to reducing the uncertainty now surrounding

the antitrust implications of export transactions. The Justice Department is now giving expedited treatment to requests by business firms for guidance on international antitrust issues.

- Environmental Reviews. The Executive Order you recently issued with respect to the environmental effects abroad of major Federal actions has received mixed reviews from the business community. On one hand exporters generally oppose extending our national environmental policy to transactions abroad; on the other hand, many of them appreciate that the Order exempts export licenses from its coverage and clarifies the kinds of environmental reviews required, thereby reducing exporting uncertainties.

Legislative Outlook:

- The National Export Policy you announced in September has been a good first step and there is increasingly strong interest in the Congress in doing more. I sense a growing perception in the Congress, the business community and the public of the critical relationship between U.S. competitiveness and the challenges and opportunities offered by the MTN. Consequently Congress may seek to integrate the implementation of MTN with a strengthened export expansion drive, backed up by a legislative and administrative package aimed at increasing industrial productivity, increasing R&D, and adjusting to rapidly changing conditions.


Juanita M. Kreps



United States
Environmental Protection Agency
Washington, D.C. 20460

February 23, 1979

The Administrator

REPORT TO THE PRESIDENT
FROM: Douglas M. Costle

This week there were no actions of sufficient
importance to call to your attention.

A handwritten signature in black ink, appearing to read "Douglas M. Costle".