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WITHDRAWAL SHEET (PRESIDENTIAL LIBRARIES)

FORM OF DOCUMENT	CORRESPONDENTS OR TITLE	DATE	RESTRICTION
memo w/att.	From Moore to The President (37 pp.) re: Sen. Muskie's discussions with NATO Allies <i>28 pages open 12/19/94</i>	5/16/79	A
memo w/ att	From Moore to The President (17 pp.) re: Meeting with Senators regarding SALP <i>15 pages open 12/18/94</i>	5/15/79	A

FILE LOCATION:

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8:00 PM

THE WHITE HOUSE
WASHINGTON

C

MEETING WITH SENATORS

Tuesday, May 15, 1979
8:00 p.m. (90 minutes)
The Blue Room

From: Frank Moore *F.M. Moore*
Zbigniew Brzezinski *ZB*

I. PURPOSE

To discuss SALT

II. BACKGROUND, PARTICIPANTS & PRESS ARRANGEMENTS

A. Background: This is the first of the SALT evenings you agreed to hold following the SALT announcement. As originally conceived, this group was to have included all Democratic and Republican Senators L+ as well as undecided Republicans. Senator Heinz, however, is hosting a Republican Trust dinner, and so we have not gotten the bipartisan representation we wanted. We have augmented the list by inviting some of those who were not able to come to last Wednesday's meeting with key Senators and some from the L- column. You should note that Senator Jackson is among those attending.

Scenario:

1. We suggest that you be the only speaker, giving the same type of remarks you made on Wednesday. We have had very good feedback. You impressed those Senators with your knowledge of the SALT terms and your commitment to the Treaty.

2. Secretary Vance, Zbigniew Brzezinski, and Under Secretary of Defense for Research and Engineering William Perry will be with you at the front of the room to respond to questions.

3. In the course of your remarks, you might want to touch upon some of the points in the attached Questions and Answers. Because of Baker's comments, the talk of amendments is growing on

the Hill. It would be extremely useful if you made your position on that issue clear again and emphasize that you want the Senate to take a close look at the Treaty as drafted.

4. As you know, Baker and Nunn have distorted your statement on "warmongering" and have criticized you for using a Soviet propaganda term. If you choose to restate your position, then the Q's and A's contain some suggested language.

B. Participants:

Senator David Boren (D-Okla.)
Senator Bill Bradley (D-N.J.)
Senator Dale Bumpers (D-Arkansas)
Senator Quentin Burdick (D-N. Dakota)
Senator Howard Cannon (D-Nevada)
Senator Lawton Chiles (D-Florida)
Senator John Durkin (D-N.Hampshire)
Senator J.J. Exon (D-Nebraska)
Senator Mark Hatfield (R-Oregon)
Senator Ernest Hollings (D-S.C.)
Senator Henry Jackson (D-Wash.)
Senator Patrick Leahy (D-Vermont)
Senator Carl Levin (D-Mich.)
Senator Russell Long (D-La.)
Senator Warren Magnuson (D-Wash.)
Senator Spark Matsunaga (D-Hawaii)
Senator John Melcher (D-Montana)
Senator Howard Metzenbaum (D-Ohio)
Senator Patrick Moynihan (D-N.Y.)
Senator Abraham Ribicoff (D-Conn.)
Senator Donald Stewart (D-Alabama)
Senator Paul Tsongas (D-Mass.)
Senator Harrison Williams (D-N.J.)

Secretary Vance, Zbigniew Brzezinski, and Under Secretary Perry available to answer questions

State: Brian Atwood

DoD: Jack Stempler, Walt Slocombe

WH/NSC: Frank Moore, Dan Tate, Bob Beckel, Bill Smith
Madeleine Albright, Roger Molander

C. Press Arrangements: White House photographer

III. ISSUES FOR DISCUSSION

Questions and Answers attached

THE WHITE HOUSE
WASHINGTON

2916

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May 15, 1979

INFORMATION

MEMORANDUM FOR: THE PRESIDENT

FROM: ZBIGNIEW BRZEZINSKI *ZB.*

SUBJECT: Your Meeting with Senator Muskie
Wednesday, May 16 at 1:00 p.m. (U)

You will be seeing him on Wednesday, May 16, at 1:00 p.m. (U)

His report, which you have seen, is attached. After complimenting him on the value of his mission, I recommend that you draw upon the following points:

Portugal

- What is Senator Muskie's overall assessment of the political situation? Is it as fragile as we are hearing?
- What does he believe President Eanes has in mind in terms of his own long-term role?
- Does he believe that the Congress still remains supportive of Portuguese democracy -- e.g. if it were necessary next year or the year after to help out economically again?

Spain

- What are his dominant impressions about the stability of Spanish democracy -- given the problems raised in his report?
- How do the Spanish regard our treatment of the relationship with them -- since he notes unhappiness over the Base Agreement?
- What was the Senator's impression about Spanish attitudes on NATO membership?

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Review May 15, 1985

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Poland

- Senator Muskie notes in his report that there is a real need to pay attention to Poland. What impression did he get of the prospect for political instability and change in Poland in the near future? Is Gierek's popularity waning?
- What prospect does he see for greater movement on human rights issues, especially divided families?
- What is his assessment of the effect any cutback in CCC credits will have on Poland's economy and political stability in general?
- What effect is the Pope's visit likely to have on Polish politics and Church-State relations in particular?

NATO

Senator Muskie detected a discrepancy between General Haig and other government officials on three points: European confidence in U.S. leadership; the objectives of U.S. defense in Europe; and the origins of the 3% goal. You might like to respond, as follows:

-- we have seen a marked increase in confidence expressed in U.S. leadership by Europeans during the past several months: marked in particular by the LTDP, the Middle East agreement (although the EC's statement was lukewarm, individual leaders were warm in their praise), and now SALT. There is still concern about our inflation and energy policies, but in general European confidence has gone up;

-- NATO defense strategy (for 12 years) has been to defend all of Allied territory as far forward as possible, and to stop any Soviet attack. To accomplish this, we are prepared to escalate if necessary -- first with tactical nuclear weapons, and all the way to strategic forces. The objective of the LTDP is to increase conventional capabilities for forward defense; although we would like to accomplish this at the lowest level of violence possible, we are prepared to introduce nuclear weapons if need be.

-- 3% grew out of work done in NATO in preparation for the London Summit and the subsequent Defense Minister's meeting in 1977. It was considered the best balance between what was actually needed (more than that if possible) and what publics would bear. It was not an accident. It is working well.

EC

- What were his general impressions of the prospects for greater European unity?
- How does he view the outcome of MTN in the Congress?

Germany

- What were his overall impressions of Schmidt, and the latter's attitudes towards the United States at the moment?
- What is his sense of Schmidt's commitment to move forward on Theater Nuclear Forces? His attitude on MBFR?
- Does he have the sense that Schmidt is approaching the Tokyo Summit in a constructive frame of mind?
- Does Schmidt understand the seriousness of the Congressional situation on FRG aid to Turkey?

Attachment

Question: What is the basis for your opposition to any amendments? Do you contend that the Senate does not have a role other than simply voting the Treaty up or down?

Answer:

-- First, modifications are not necessary because the treaty is sound.

-- Individual Senators will have to weigh the risks of creating a situation where SALT II must be renegotiated. When they have an opportunity to study this agreement in detail, they will recognize that it is a delicately balanced package. Its parts are inter-related, the result of over 6 years of intense negotiation.

-- If the Soviets were willing to renegotiate -- and that is highly improbable -- they would wish to reopen many provisions which had been resolved to our advantage. This would cause the entire agreement to come apart.

-- The Senate must judge whether the Soviets would reject outright any request to renegotiate. The Soviets may decide, even contrary to their own real interests, that they cannot allow themselves in the eyes of the world, to be pushed around by the United States. After over six years of hard bargaining, they -- no more than we -- will accept unilateral alterations in the bargains that have been struck.

-- That is the basis for our belief that any significant amendment or reservation would amount, in practical terms, to the same thing as defeat of the treaty.

-- Fourth, there would be a sharper rise in defense spending to deal with new challenges.

-- Fifth, we could see the prospect of improved relations with the Soviet Union replaced by heightened tension.

-- Sixth, our friends and allies would be deeply troubled by what many would see as a rejection of the arms control process.

-- Seventh, other ongoing arms control negotiations -- such as CTB (Comprehensive Test Ban), MBFR (Mutual and Balanced Force Reductions), and ASAT (Anti-Satellite weapons restrictions) -- would be jeopardized and the prospects for further agreed limits and reductions in strategic arms would be bleak for the foreseeable future.

-- Eighth, our ability to work effectively to hold back the proliferation of nuclear weapons would be undermined if nations that could acquire them concluded that the two nuclear superpowers are not serious about restraint.

Question: The President has said that rejection of the SALT II Treaty would cast the United States as a "warmongering" nation in the eyes of the world. What does he mean by that?

Answer:

-- For over a decade, the United States has strived to reduce the risk of nuclear war in two basic ways: we have maintained a strong defense that will serve as an unquestioned deterrent to any potential adversary and we have negotiated progressively broader mutual limits on the strategic arms race with the Soviet Union through the SALT process.

-- Our friends and allies around the world look to us for both; they expect us to maintain a credible deterrent and they want to see steady progress in slowing down the strategic arms race which threatens not only the two superpowers, but the entire world.

-- If the SALT II Treaty were rejected by the Senate, the strategic arms control progress we have already made would be jeopardized and the prospects for further limits and reductions in the foreseeable future would be bleak. A further intensification of the nuclear arms race would be likely. Nations which do not now have nuclear weapons would be more likely to reconsider their position. Tensions between the United States and the Soviet Union would rise.

-- Since this would follow U.S. rejection of the SALT Treaty, we could be seen as primarily responsible.

-- It is inevitable that many of our friends and allies around the world would interpret failure to approve the Treaty as a rejection, not only of what they see as a constructive agreement, but also of the strategic arms control process itself. Many would conclude that we have abandoned the parallel tracks of a strong defense and reasonable arms control and chosen instead to follow the military competition track alone. And they would be concerned at an apparent failure to manage East-West relations.

-- Our reputation as a nation dedicated to reducing the risks of nuclear war would unquestionably suffer a profound blow.

Question: The President has said that if the Treaty is defeated, he will still abide by its terms. But he also said that if it is defeated, we will "drift into a dark nightmare of unrestrained arms competition." Which is correct?

Answer:

-- There is nothing inconsistent in those two statements.

-- If SALT II is defeated, it would be irresponsible for the United States precipitously to launch a massive arms build-up. We would seek to maintain as much moderation and stability in the strategic balance as possible.

-- But we must also recognize that, in the absence of mutually binding limits, the pressures to intensify the arms race would build substantially.

-- Uncertainty fuels the arms race, and the environment in the wake of a SALT defeat would be far more uncertain: there would be no agreed limits on what either side could build and thus the range of possible future threats that we would have to deal with would widen; the provisions of SALT which prevent concealment of each other's strategic forces or interference with national means of verification would no longer be binding and thus we could have far less knowledge of Soviet forces and strategic programs; and overall tensions between our two countries would inevitably increase.

-- Thus, although we would exercise as much restraint as was consistent with our national security

interests, over a period of time it is likely that strategic stability would deteriorate. And we would meet any Soviet increases in their strategic forces with our own.

Question: There have been many statements about the consequences of rejection. What precisely do you see as the consequences?

Answer:

-- First, there would be no limits on the number of strategic launchers that each side could build. Our estimates are that the Soviets could reach 3000 by 1985, instead of 2250. We of course would have to do what is necessary to maintain essential equivalence. Thus we could see a senseless numbers race in which both sides accumulate more and more strategic missile launchers and bombers, with a net loss of security.

-- Second, the Soviets could place 30 or more warheads on their heavy missiles, instead of 10, thus adding considerably to the threats we face and making it far more difficult for us to deal with the vulnerability of land-based missiles.

-- Third, because there would be no restriction on Soviet concealment of their strategic forces or on interference with our monitoring systems, we would have far less knowledge of present and future Soviet strategic forces; this uncertainty would make our defense planning more difficult and our security less certain.

Q: Since the Backfire bomber can reach targets in the continental US, why shouldn't it be included in SALT?

A: The Soviet Union is currently deploying Backfires in both their long-range air force and in naval aviation units. The Backfire bomber has been in production for several years, and current production averages two and a half aircraft a month. We continue to believe that the primary purpose of the Backfire is to perform peripheral attack and naval missions. Undoubtedly, this aircraft has some intercontinental capability in that it can surely reach the United States from home bases on a one-way, high-altitude, subsonic, unrefueled flight; with refueling and Arctic staging it can probably, with certain high-altitude cruise flight profiles, execute a two-way mission to much of the United States.

The ability to strike the territory of the other side is not the criterion for determining whether an aircraft is a "heavy bomber" and, thus, subject to the limitations in the SALT II agreement. For example, the US has 67 FB-111's which are part of our strategic bomber force and dedicated to attack on the Soviet Union. We also have over 500 aircraft deployed in the European and Pacific theaters which have the capability to strike Soviet territory. The Soviet Union at one time tried to get these latter aircraft included in SALT on the

grounds that they could strike the Soviet Union.

With the firm support of our Allies, we adamantly resisted that position on the grounds that these aircraft, whatever their theoretical capability, are deployed for theater missions and, thus, not subject to SALT limitations. The Soviets have used this same argument with respect to the Backfire.

Nevertheless, the Soviets have agreed to furnish specific assurances concerning the Backfire. The US regards the obligations undertaken by these assurances as integral to the Treaty. These assurances, which include a freeze on the current Backfire production rate, are consistent with the US objective of constraining the strategic potential of the Backfire force, while continuing to exclude our own European and Pacific-based theater aircraft from SALT. Those assurances also help to restrict the Backfire to a theater role. In particular, limiting the numbers available means that Soviet diversion of Backfire from its theater and naval missions to a strategic role would substantially reduce Soviet strength in these areas while adding only marginally to overall Soviet strategic capability.

Q: It is claimed that SALT II will be adequately verifiable; but how will the US make sure that the Soviets aren't cheating? Doesn't the loss of intelligence collection sites in Iran undermine our ability to verify the SALT II agreement?

A: The US relies for verification on "national technical means" which is a general term covering a variety of technical collection methods for monitoring Soviet military activities. As the President has publicly confirmed, these national technical means include photographic satellites. There are other collection methods as well. For example, we are able to monitor Soviet telemetry -- that is, the technical data transmitted by radio signals from the Soviet missiles during tests -- from outside Soviet territory. A further example of national technical means are the ships and aircraft which we also use to monitor Soviet missile tests. The sides have also acknowledged that large radars, such as the COBRA DANE radar at Sheny Island in the Aleutians, can be used as a form of national technical means (NTM).

This is not a complete list of the technical devices that constitute our NTM. Still less is it a complete list of US intelligence resources. Many of our intelligence resources are very sensitive. Public acknowledgement of their existence, much less of their technical capabilities and details of how they work or what information they produce, would make it far easier for the Soviets to negate them. Therefore, what we can say publicly about the details of our intelligence facilities is very limited. Members of the Senate who will have

to vote on the Treaty will, of course, have full access to all the details.

However, there is no secret that our NTM enable us to learn a great deal about Soviet military systems, including the strategic nuclear forces that are limited in SALT. We are able to monitor many aspects of the development, testing, production, deployment, training, and operation of Soviet strategic forces, despite the closed nature of Soviet society and Soviet concern with secrecy. A good measure of the capabilities of our systems of intelligence collection is the detailed information we publish on Soviet forces: For example, the Secretary of Defense's Report for FY 80 lists the numbers of Soviet bombers, missiles, and gives estimates of the numbers of weapons carried on Soviet forces. We know that the Soviets have a "fifth generation" of ICBMs under development, and we know a good deal about their characteristics -- this before a single missile has been flight-tested. That this is by no means the full extent of our knowledge of Soviet systems is clear from the mass of unofficial -- but often all-too-accurate -- leaks of detailed information on Soviet programs.

From these sources, then, we are able to assemble a detailed picture of Soviet forces, both overall and in terms of the characteristics of particular systems. No one source is essential; instead we rely on information from a variety of sources -- for example, what we learn

from photography can be checked against information from radar or telemetry monitoring. This means both that loss of a particular source, though it can be important and require replacement, does not "blind" our ability to monitor what the Soviets are doing. Moreover, the use of multiple sources complicates any effort to disguise or conceal a violation. The Soviets know we have a big intelligence operation and know a certain amount about how it works, from our official statements, from leaks, from spies, and from their own NTM. But we know they do not know the full capabilities of our systems -- or, equally important, how we use the information we collect. The result is that efforts to conceal would have to be planned to cope with a number of US collection systems, some of them entirely unknown. (The need to maintain this uncertainty is a major justification for continued secrecy about our intelligence systems and methods.)

As for the loss of the intelligence collection sites in Iran, we are proceeding in an orderly fashion to reestablish that capability. As Secretary of Defense Harold Brown pointed out in his April 5 speech in New York, the issue is not whether the capability will be reestablished but rather how, where, and how quickly. There are a number of alternatives available to us for recovering the capability. Some can be implemented more quickly than others. Some involve consultations with other countries, some do not.

Intelligence of the kind obtained from the Iranian sites provides information on Soviet strategic systems, including some of the aspects of the strategic systems which are limited by SALT. For this reason, we will be moving with all deliberate speed to reestablish the capability. However, as noted above, we have a large number of other technical intelligence collection sources which collect intelligence on Soviet strategic systems. As a consequence, it is not imperative that the Iranian capability be immediately reestablished to ensure that the emerging SALT agreement is adequately verifiable, i.e., that any Soviet cheating that could pose a military risk be detected in time for the US to respond and offset the threat. As long as the capability is reestablished on a timely basis -- as we plan to do -- there will be no impact on SALT verification. We estimate that regaining enough capability to monitor adequately these tests for SALT purposes will take about a year.

The principal information at issue is the nature and characteristics of new or modified Soviet ICBMs. Each such Soviet program will require about 20 flight tests over a period of years. We would be able to monitor testing and detect violations well before the testing programs were complete. On this basis, we are confident that we will be able to verify adequately a SALT agreement from the moment it is signed.

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FORM OF DOCUMENT	CORRESPONDENTS OR TITLE	DATE	RESTRICTION
report	Q & A Sheets re: Sen. Muskie's Meeting 2pp	5/15/79	A

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UNCLASSIFIED
CONFIDENTIAL ATTACHMENT THE WHITE HOUSE
WASHINGTON

MEETING WITH SENATOR EDMUND MUSKIE

Wednesday, May 16, 1979
1:00 p.m. (30 minutes)
The Oval Office

From: Frank Moore *F.M./pd*
Zbigniew Brzezinski *ZB.*

I. PURPOSE

To report to you on his trip to Portugal, Spain, the Federal Republic of Germany, and Poland.

II. BACKGROUND, PARTICIPANTS & PRESS ARRANGEMENTS

A. Background: On May 7, Senator Muskie returned from his trip as your emissary. He handed you his written report when he came to the White House on Wednesday.

We scheduled a follow-up meeting because we believed that it would be useful not only to get some additional impressions from him, but also to continue to build on the excellent relationship you are establishing with him.

B. Participants:

Senator Edmund Muskie
Zbigniew Brzezinski

C. Press Arrangements: White House photographer

III. ISSUES FOR DISCUSSION

As appropriate from attached paper

THE WHITE HOUSE

WASHINGTON

5-11-79

To Senator Ed Muskie

I have read with care
your report from Europe and
find it interesting, informative
and useful. I will share it
with Zig and Fritz.

Thank you for doing this.
I hope that you will be
willing to make similar trips
in the future.

I will be glad to see ^{you} if
you have additional information
or advice for me. Please let
Zig arrange the time -

Jimmy Carter

cc Zig

WITHDRAWAL SHEET (PRESIDENTIAL LIBRARIES)

FORM OF DOCUMENT	CORRESPONDENTS OR TITLE	DATE	RESTRICTION
report	Meeting with Chancellor Schmidt 9pp	5/8/79	A

FILE LOCATION
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MEMORANDUM

May 8, 1979

TO: President Carter
FR: Edmund S. Muskie
SUBJECT: European Mission

The Mission was described as an opportunity to represent you in countries which you would like to visit but which could not be accommodated in your current schedule; to present your perspective on certain pressing multi-lateral and bi-lateral issues; to seek out attitudes and concerns of leaders of the countries visited; and to present the congressional perspective on domestic and international political issues.

As you requested, I traveled to Portugal, Spain, Poland and the Federal Republic of Germany. In my capacity as Chairman of the Senate Budget Committee I also met with NATO and European Community Leaders in Brussels.

In general, I found U.S. relations with each of the countries visited healthy and productive. Without exception, I found a genuine interest on the part of the leaders of each of these countries in improving their ties with the U.S., so long as there is a willingness to accept political and social differences. Implicit, however, was a genuine concern that the U.S. maintain its leadership role -- in fact enhance its leadership role -- in each of these nations. To the extent there were differences they involved the perception of unevenness of the application of U.S. policy. At the same time, each national leader viewed the U.S. (and you, Mr. President) as elemental to stability.

I was impressed by the quality of statesmen with whom I met. All feel you have significantly improved in your world posture -- in some cases as a function of the Middle East peace initiative and in other cases because of what is perceived as a more consistent direction in policy.

My visit and the special recognition it implied were appreciated by all. There was little need for me to initiate policy discussions. President Eanes of Portugal, known as a reserved, tacturn executive, took advantage of my presence

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to press a variety of issues, and passed on some very sensitive information about Angola. Our meeting ran 40 minutes longer than scheduled.

The King of Spain provided little opportunity for me to raise any issues but covered most of those on my agenda on his own initiative. That meeting was scheduled for 10 minutes and lasted nearly two hours. And in Poland each of my meetings ran overtime, including two hours with First Secretary Gierak.

There follows a brief summary of my visits: the people with whom I met, and my impressions on the critical issues which you asked me to raise or which came up in the course of events.

PORTUGAL

I met with President Eanes, Prime Minister Moto Pinto and leaders of the Social Democratic Party, the Socialist Party and Center Democratic Party.

ISSUES:

1) STABILITY OF THE DEMOCRATIC INSTITUTIONS

The President perceives that the country is in political crisis, a view shared by party leaders. The President was preoccupied with the inability of the political parties to become cohesive forces in the country, with their apparent commitment to ideological issues rather than national issues; and by their inability to form the coalitions necessary to provide a democratic majority in the Parliament.

This inability does not apparently stem from substantial ideological differences. Party leaders are almost without exception young, intelligent, eloquent and absolutely committed to democracy. Conflicting personalities, political inexperience, Eanes' inability or unwillingness to communicate on a personal level with party leaders, his perceived distance and aloofness, and the absolute conservative opposition to any government in which the agrarian-based Communist party has a voice, all contribute to political instability. The Portuguese people may be less interested in the right of free elections than in a government which improves their lives. President Eanes is considering three options:

(a) calling a parliamentary election; (b) forcing the hand of the political parties by going to the country with his own program; and (c) as a last resort, resigning and going to the country as a candidate himself with his own program, a move the Socialists regard as formation of a President's Party. All the political parties feel a parliamentary election is preferable to either of the other alternatives.

Economic austerity and perceived ineptitude among the political class have produced early signs of popular disenchantment.

The military is identified as beginning to become vocal about the performance of the government. There is no doubt the military would not stand by idly if the system were to deteriorate much further without signs of positive corrective action.

Eanes is willing to provoke the parties, if necessary, into a stable coalition; a major speech April 25 marked the opening of this attempt.

2) NATO/MILITARY

Portugal remains committed to NATO, for military and domestic political reasons.

The President believes it essential that the military have a role in NATO to divert them from interference in domestic politics. He also believes that U.S. aid to upgrade military quality is imperative to assure this objective.

In addition, it was made clear that Portugal might withdraw from active NATO participation if obsolete hardware made an effective Portuguese presence in NATO impossible. This is a question of national pride -- a pride threatened by the phaseout of our Military Assistance Program.

3) ECONOMIC

The crisis which led to the designation of a non-party

government persists. The Socialists, who supported austerity in the past, have lost confidence in the President and no budget has been approved. All "democratic" parties agree a budget will be approved although they differ on budget priorities. The President thinks the U.S. should put pressure on the IMF to reduce demands. Meeting IMF criteria, according to Eanes, will mean a cutback in social services of \$200 million "which could result in social unrest." Clearly Portugal is trying to maintain economic discipline within the context of the current political situation and is reaching for help.

European Community membership, while valuable in the long term, is too far in the future to affect the current political situation unless European Community loans and grants precede actual Portuguese membership. The Portuguese face a situation in which they need to demonstrate stability to gain financial help, but need the help to stabilize.

SPAIN

I met with the King, the acting Foreign Minister and the First Vice President (the Prime Minister and Foreign Minister were in Algeria), the Governor of the Central Bank and leading economic ministers.

ISSUES:

1) STABILITY OF DEMOCRATIC INSTITUTIONS

My impression is that, unlike Portugal where the threat is from the conservative/military elements of society, Spain faces potential instability from the Left. Municipal elections have resulted in 70 percent domination by the Left due to a coalition of the Socialists and Communists, with the Communists holding a number of mayoral positions. However, the conventional wisdom, in part confirmed in my meeting with Socialist Party officials, is that the two would not coalesce at the national level. The King seems to have a very strong hold on the Right (and the military) and is committed to democracy.

So far there has been a widespread desire among the political parties to "cooperate" in the maintenance and development of democracy. Political unrest, military discontent and economic malaise all have the potential to dissolve that cooperation.

Spain is attempting to move toward a Federal system to satisfy demands for more autonomy, particularly from the Basques.

Whether it can do so successfully is an open question. Terrorism is a more immediate and destabilizing question than the strength of the Communists. Controlling it without resort to the tactics of Franco will test the new democracy.

2) NATO/MILITARY

Like Portugal, there is a consensus that the military needs a new role, but a difference as to the nature of that role. The Socialists want to maintain and improve bilateral relations with the U.S. The King and the Premier want to take Spain into NATO. The Socialists have not been willing to focus on the value of giving the military a new mission. However, it is my view that the King and the Party leadership will move to NATO irrespective of political opposition. The military is still very strong -- residual Franco elements are only beginning to be phased out as longtime staff officers reach retirement age.



3) ECONOMIC

All discussions revealed remarkably similar views on the need to continue the austerity program in order to limit inflation to a target of about 12-13 percent this year, compared to 26 percent last year, and improve Spain's balance of payments problems. All expressed confidence that Spain would continue to make progress in each of these areas. For example, Governor Rendueles reviewed recent bank actions to liberalize banking practices to encourage foreign banks to enter Spain for the first time. And Minister Leal emphasized the steps Spain has taken toward a market economy to replace

the Franco-era monopolies in Spanish industry which limit its full productive potential.

In addition to succeeding within the austerity program, the Bank Governor stressed the need to give Spanish employers greater flexibility to lay off or fire workers. Present Spanish practices make Spanish industry more a guarantor of jobs than an engine of production. Present work rules discourage new business investment.

Finance Minister Anoveras stressed the role of large wage demands in fueling inflation and the political difficulties his government faces in pursuing its austerity program in the face of large, unmet social demands and high unemployment. Yet he saw the need to stabilize inflation at a rate of about 8 percent per year as a prerequisite to dealing with social programs and entering the European Community. He warned that unless Spain could control inflation it might prove impossible to preserve Democracy or avoid a return to dictatorship.

Each of the ministers expressed satisfaction with recent U.S. economic developments but all remain concerned about our energy consumption, inflation and balance of payments problems. Like many others we talked to in Europe, these Spanish financial officials see an economically strong America as very important to their own countries. But they also resent the amount of oil we purchase from abroad because it assists OPEC in the maintenance of high oil prices.

All agreed that Spain would enter the European Community as scheduled, between 1981 and 1983. Spain could compete effectively in manufactured items, although achieving the full potential of agricultural exports might be hampered by protective European Community rules.

4) MIDDLE EAST

The Foreign Minister expressed very real concern about the position of the Saudis. While Spain wants to help and finds President Carter's initiative very positive, Spain would prefer a global solution along the lines of the U.N. resolution. The Minister considers the Lebanese situation very dangerous and expressed worries about King Hussein. However, the Spanish are disposed to do their best to create the proper ambience, bearing in mind their very special relations with the Arabs. The Spanish are impressed by Sadat's courage and will do their best.

NATO/EEC

We met with General Haig, EEC President Jenkins and Secretary General Luns of NATO, as well as U.S. NATO staff, led by Charge Glitman and Ambassador Hinton.

ISSUES:

1) EUROPEAN PERCEPTIONS OF THE U.S.

With the exception of General Haig, all agreed the U.S. position in the NATO Alliance is both economically and politically strong.

General Haig uniquely presented the view that the recent decline in confidence in the U.S. dollar was linked to our military position. Hinton, Glitman and Secretary General Luns all disagreed.

Haig described the European perception of the U.S. in the bleakest possible terms, saying that U.S. prestige is at its lowest ebb in his experience since World War II.

The contrast with Luns was striking. Luns was particularly upbeat about the current European impression of the U.S. as a reliable partner.

All agreed, however, that U.S. handling of the decision against deployment of the neutron bomb was seriously damaging to our credibility in NATO and said ripples from that decision continue to be felt.

For example, Luns emphasized concern that the TNE issue be negotiated privately within NATO councils and not publicly as was the case of the neutron weapon. Matters which could be agreed upon and successfully implemented in traditional NATO channels would be jeopardized if thrown up to individual nations' parliaments and public opinion, especially since U.S. determinations on nuclear matters had always been considered with NATO to be definitive until the neutron bomb issue.

In short, it was Luns' view that the U.S. has come a long way back from the days of the dollar decline and the neutron bomb, but that careful, consistent handling of current issues was vital to keeping U.S. prestige on an upward curve.

2) NATO DEFENSE -- THE 3 PERCENT COMMITMENT AND SALT

Haig and U.S. NATO staff were emphatic about the need for the U.S. to meet the three percent commitment in order to encourage reaching it throughout the Alliance. Luns said the U.S. is perceived as meeting the goal, although he called the NATO-wide 3 percent increase barely adequate for proper modernization.

General Haig presented a refreshingly candid insight into the origin of the 3 percent commitment (that it was quite accidentally arrived at), but also made a forceful argument for going even further in force improvement.

None expressed concern that the defense budget approved by the Senate in its recent Budget Resolution would be taken as less than a fulfillment of our share.

All agreed that Soviet deployment of the SS-20 -- which Luns described as "blood chilling" -- presented a significant new complication in stabilizing the arms race and in the defense of Europe which would need to be dealt with by further arms control negotiations through the MBFR or SALT III channels as well as by improvements in NATO theater nuclear forces.

Luns also said the Federal Republic of Germany would accept medium range TNF missiles, provided that some arrangement could be worked out so that it was not alone in doing so. There appeared here and elsewhere to be little debate about the wisdom of new TNF deployments; the debate centered on the politics of placement.

Luns and Haig both noted the importance to NATO cooperation of the "two way street" in arms production but suggested interoperability might be a more appropriate goal in some cases, since governments are willing to spend more for arms produced domestically than for those purchased abroad.

It was suggested that the ratification debate over SALT II be cast in terms of what the agreement might prevent U.S. from doing that we wanted to do. This approach has the disadvantage of conceding to liberals in the Senate that the agreement is worthless. A better approach might be to describe SALT II as a step in the process of arms control, rather than the end of the road.

3) THE FEDERAL REPUBLIC OF GERMANY

Luns stated his belief that the Soviet Union is trying to neutralize the FRG role in NATO by holding out the prospect of reunification on the one hand and on the other cautioning against Germany's becoming the "lead man" in NATO developments. Elements within Schmidt's own SPD party, led by Wehner, the Floor Leader, were sympathetic to the Soviet line, complicating Schmidt's parliamentary elections next year even though Schmidt does not agree with Wehner on this issue. Luns expressed his own view that reunification was unlikely both because the Soviets could not offer FRG attractive enough terms and in light of opposition to a reunified Germany in both the Warsaw Pact and Western Europe, especially France.

4) FRANCE



5) TURKEY

Luns and Haig stressed Turkey's need for financial aid and said the serious economic condition of that country is affecting its ability as a NATO ally.

6) CONFUSION REGARDING U.S./NATO MATTERS

We found disconcerting confusion between the evaluation of the U.S.-NATO mission and that of General Haig on several points: European confidence in U.S. leadership; the actual objectives of U.S. defense policy in Europe; and the origins of the 3 percent spending commitment to NATO. These are bothersome discrepancies. Although the first area might be ascribed to a difference in points of view between military and civilian authorities, the second is disturbing and the third inexplicable.

As noted above, Haig uniquely believes U.S. prestige and European confidence in the dollar have been eroded by concern about weakness in our leadership and defense posture.

General Haig's view is not shared by Luns or the U.S. officials in Brussels to whom we talked.

On the other hand, the personnel of the U.S. mission to NATO seemed to suggest that the purpose of NATO defense policy is to be prepared -- if need be -- to fight and win a conventional war in Europe. Yet in answer to my direct question, "If conventional war broke out in Europe today, how long would it last and who would win?" Haig said unequivocally that the NATO could not win such a conventional war. He said a predicate of NATO policy is that at least theater nuclear forces would be involved in any outbreak of war. In fact, he said it would be economically and politically unsupportable for western nations to attempt to match Warsaw Pact conventional forces weapon for weapon. Instead, our policy is directed toward a defense so strong that breaking through it would require such an employment of mass that the Warsaw Pact would have to calculate that the inevitable result would be a major war.

On the third point, Haig reviewed the history of the Brussels meeting in 1977 which produced the 3 percent commitment and said flatly the "commitment" was in fact the accidental result of a press conference by the West German Defense Minister who said it had been agreed to, even though it had not been discussed at the Ministerial level prior to that point. The press reports sparked a general consensus in the meeting by generating such a public relations stake in reaching such a consensus that it actually occurred. Charge' Glitman, who had earlier defended the 3 percent commitment in the terms in which it is normally defended in Washington -- as somehow scientifically arrived at based upon real defense needs -- later said he had not previously heard General Haig's explanation.

These discrepancies in the American conception and presentation of our NATO role and NATO policy are troublesome.

7) ECONOMICS OF THE EUROPEAN COMMUNITY

In their separate meetings, Hinton and Jenkins both emphasized Community concern that the MTN be approved by Congress without change. Jenkins expressed concern that a change had already occurred in the draft legislation with the deletion of the "material" qualification of the "injury" test.

I think the problem has been with Haig's stay too long. His obvious political ambitions.

Jenkins and Hinton reported broad European Community support for recent U.S. domestic economic steps, especially your decision to decontrol oil prices, which Jenkins agreed required political courage.

Here and elsewhere I attempted to bring home the point that America is "shrinking" in energy terms, but that 50 years' reliance on the automobile for transportation will take time to reverse.

POLAND

In Poland I met with First Secretary Gierek; the Finance Vice Minister; the Vice Premier; the Acting Foreign Minister; the Archbishop of Krakow; and some local party and municipal leaders. I also had an opportunity to spend a couple of hours with three leading Catholic dissidents and had a number of conversations with other political people.

ISSUES

1) POLITICAL STABILITY

Poland's external economic problems are considerably less significant than her internal political instability. The leadership people with whom we met were universally optimistic about Poland's capacity to solve its economic problems (discussed below). However, from conversations with the Archbishop and the dissidents (the latter of whose judgments I would tend to discount unless otherwise confirmed) from private conversations, and from the undercurrent of the discussion with Mr. Gierek, I believe there is real need to pay special attention to Poland.

The Papal visit will not likely result in a serious problem between the Government and the Church. Gierek has moved to accommodate the Pope and may be using this event to normalize relations between the two. In any event they are talking (which is new), and have established mechanisms to handle aspects of the visit jointly. I perceive the Polish leadership is deeply concerned about a Czech-type Soviet move. This concern is shared by the Archbishop and others.

2) GERMANY

Both Gierek and Jagielski spent an unusual amount of time expressing concern about the re-arming of FRG and their fears of its threat to Poland. Gierek took pains to point out the problem and then said it was not "a paramount issue." I took the opportunity to press home the fact that the SS-20 was escalating the arms race. - Gierek assured me that the Soviets and the Poles had better places to spend money than on arms, and there is a passionate commitment to SALT II in Poland. The overtures to Russia from the FRG are of great concern.

3) HUMAN RIGHTS

As you requested I made human rights -- the so-called reunification of families question -- a centerpiece of each discussion and it met with increasing antagonism as I went up the line of leadership. Jagielski was adamant, and Gierek was much more vociferous than the Embassy staff anticipated. Gierek let it be known in no uncertain terms that some types of people would not receive passports because of what he regards as their unacceptable moral behavior. At the same time he and Jagielski promised an expedited review of pending visa applications. I reinforced your concern but did not change any minds.

There is evidence that the Poles encourage temporary emigration for employment motives under tourist visas and prefer "divided families" on economic grounds. An emigre whose family remains in Poland provides hard currency which is repatriated upon his return.

4) ECONOMY

The Poles are placing great emphasis on their capacity to be a good credit risk. A major part of each meeting was devoted to the revised agriculture policy, including expansion of the size and productivity of private farms; the improvements to be made in production and availability of farm equipment; the new availability of fertilizers; and the hope for better weather. Agriculture is seen as the soft spot in the economy and the means by which the Poles will restore their international credit rating. At the same time heavy emphasis was placed on their capacity to pay their bills, offering up a steel mill capable of retiring their entire debt, and, in the case of Gierek, pointing out

that they have a \$25 billion capital budget which could be diverted to debt service if needed. However all officials are anxious for new CCC credits. I see this issue as elemental to the Poles' perception of their political stability. Gierk and others see a major need to manage the Vistula to avoid future floods; clean up a very serious and growing pollution problem; and most of all add an additional 6 to 8 million housing units.

The Poles must be adroit at balancing the Soviet perception of Poland's economy and the tendency of individual Poles to resist a modernization which puts them at the mercy of a poorly functioning industrial system. The independent farmer, (most of whom farm fewer than 10 acres, but provide the bulk of Poland's food production), prefers horses that work to tractors that do not. He wants a tractor that works. The government is feeling the pressure of his demands. Soviet demands are a drain on the economy both in terms of resources the Russians expect to receive and in terms of the limits the Soviets subscribe to the means of reaching the goals Gierk outlined. Labor problems, including absenteeism caused by workers holding two jobs, and alcoholism are internal hindrances.

COMMENT

There is by Soviet standards an increasing level of entrepreneurial activity in Poland. Gierk is trying to improve the domestic economy and is looking to the U.S. for help. The Church sees the situation as delicate and sees itself as the only stable influence in Polish society -- a point with which few were willing to quarrel. Poland plans to expand rather than contract private enterprise especially in agriculture and some Poles see this as threatening to the Soviets and to controlling interests in other satellite countries.

I perceive this current leadership seriously threatened and the Church, while willing to help, incapable of moving out of the traditional role.

3:30 PM

THE WHITE HOUSE

WASHINGTON

May 15, 1979

Briefing on SALT for National Leaders
Wednesday, May 16, 1979
3:30 p.m. - 4:00 p.m.
East Room

FROM: ANNE WEXLER *AW*
HAMILTON JORDAN *HJ*

I. PURPOSE

To educate a small group of prominent opinion-makers on SALT in the overall context of U.S.-Soviet relations and global implications.

II. BACKGROUND, PARTICIPANTS AND PRESS PLAN

A. Background

1. This will be the first group to be briefed in the White House exclusively on SALT since the announcement of the summit. The group was carefully selected and represent most of the major interest groups from across the country. It will also be the smallest group that we assemble before the summit.
2. Prior to your arrival the group will have been briefed by Cy Vance and Zbigniew Brzezinski. When you arrive to close the meeting, Cy and Zbig will be answering questions. After the meeting there will be a reception in the State Dining Room. (See attached agenda.)
3. It is anticipated that you will speak for about 15 minutes and then take some questions for the remainder of your time.

B. Participants

(See attached list.)

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C. Press Plan

White House photo and press pool will be present for the first five minutes of your remarks. The rest of the briefing is closed to the press.

III. TALKING POINTS

(See attached.)

WHITE HOUSE SALT BRIEFING

May 16, 1979

East Room

2:30 - 4:00 p.m.

- | | | | |
|------|------------------------------|--|----------|
| I. | 2:30 p.m. | SALT Two agreement, The
Case for SALT -- Cy Vance | 15 mins. |
| II. | 2:45 p.m. | SALT and National Security;
The President's Four
Questions -- Zbigniew
Brzezinski | 15 mins. |
| III. | 3:00 p.m. | Questions and Answers | 30 mins. |
| IV. | 3:30 p.m. | Remarks and Questions and
Answers--The President
Note: White House Press
pool first 5 minutes | 30 mins. |
| V. | 4:00 p.m.
to
5:00 p.m. | Reception - State Floor | |

THE WHITE HOUSE

WASHINGTON

May 15, 1979

MEMORANDUM FOR THE PRESIDENT

FROM: Hamilton Jordan *HJ*
Anne Wexler *AW*

SUBJECT: SALT briefing for national leaders
Wednesday, May 16
3:30 p.m.
East Room

We believe you should talk along the lines of your remarks to the retailers. Here are some suggested points to cover, which we've worked up with Rick Hertzberg of Jerry Rafshoon's office:

1. The SALT II treaty was hammered out by the sustained work of three Administrations: President Nixon's, President Ford's, and yours. It builds on the work of every American President since the end of World War II.
2. SALT must be examined realistically. It is not a panacea. It will not end the arms race. It is a supplement -- not a substitute -- for a strong national defense. But it is a major step in the long, historic process of bringing nuclear weapons under rational control.
3. SALT II is based on self-interest, ours and the Soviet Union's. Although the competition between us will continue as far into the future as anyone can see, we share a mutual interest in survival and in steering our competition away from its most dangerous element, an uncontrolled strategic nuclear arms race.
4. SALT II is not based on trust. The treaty will be adequately verifiable by our own national technical means of verification. In addition, it is in the interest of the Soviet Union to abide by this treaty. Despite predictions to the contrary, the Soviets have observed the terms of the SALT I treaty.

5. Whether or not the treaty is ratified, we must be able to make accurate assessments of Soviet capabilities. But SALT II will make this task much easier -- not only because the treaty forbids concealment measures and interference with means of verification, but also because the treaty gives us basic standards with which we can compare the information we derive independently from our satellites and other methods.

6. The details of ICBMs and SLBMs, throwweight and yield and all the rest are important. It was largely because of these details that the treaty took seven years to negotiate. But these details should not blind us to the real significance of the treaty as a contribution to stability, security and peace.

7. The treaty must be judged on its merits, but we must consider the consequences of rejection:

--radical departure from the process of arms control that began with the atmospheric test ban and SALT I and will continue with SALT III and a comprehensive test ban;

--heightened possibility of confrontation in each local crisis;

--triggering an expensive, dangerous race for a nuclear superiority that each side has the means and will to prevent the other from attaining, with a loss of security for both;

--calling into question our ability to manage a stable East-West relationship, thus undermining our leadership of the Western alliance;

--implications for nuclear proliferation;

--gravely compromising our Nation's position as a leader in the search for peace.

8. Importance of the coming debate; solicitation of support.

Expected Attendees
VIP Briefing on SALT
May 16, 1979
2:30 P.M.

Dr. Jimmy Allen
Southern Baptist Convention

The Honorable William Baroody, Sr.
American Enterprise Institute

The Honorable Ellsworth Bunker

Mr. Carter Burgess
Foreign Policy Association

The Honorable Yvonne Braithwaite Burke

Dr. Marjorie Bell Chambers
American Association of University Women

The Honorable Clark M. Clifford
Clifford, Glass, McIlwain & Finney

The Honorable Orville Freeman
Business International, Inc.

General Andrew Jackson Goodpaster
United States Military Academy

Mr. Donald Graham
The Washington Post

Mr. Maxwell E. Greenberg
ANTI-DEFAMATION LEAGUE

Ambassador W. Averell Harriman

Mr. Billy O. Hightower
Disabled American Veterans

Ms. Ruth J. Hinerfeld
League of Women Voters

Mr. William Howard
National Council of Churches

Mr. Wm. G. Hyland
Georgetown University Center
for Strategic & International Studies

Reverend Jesse Jackson
People United to Save Humanity

Ms. Mildred Jeffrey
President
National Women's Political Caucus

The Honorable U. Alexis Johnson

Mr. Vernon Jordan, Jr.
National Urban League

Bishop Thomas C. Kelly
United States Catholic Conference

The Honorable Coretta Scott King
Martin L. King Center for Social Change

The Honorable Lane Kirkland
AFL-CIO

Ms. Esther Landa
National Council of Jewish Women

Ambassador Sol Linowitz
Coudert Brothers

Mr. Winston Lord
Council on Foreign Relations

Mr. Richard Maass
American Jewish Committee

Dr. Benjamin Mays
Morehouse College

Mr. John J. McCløy
Milbank, Tweed, Hadley & McClay

Ms. Joyce Miller
Coalition of Labor Union Women

Mr. Donald Pacheco
American GI Forum

Mr. Ed Pena
League of United Latin American Citizens

Ms. Lynda Bird Robb
Chairperson
National Advisory Committee for Women

The Honorable William Scranton
Northeastern Bank

Mr. James Shepley
TIME, Inc.

Mr. J. E. Slater
Aspen Institute

Mr. Martin Ward
United Association of Plumbing & Pipe Fitting Industry

Mr. Thomas Watson
IBM

Ms. Alice H. Weber
Association of Junior Leagues, Inc.

Mr. John White
Chairman
DNC

Mr. Walter Wriston
Citibank

Rabbi Israel Miller
Chairman, Israel Task Force

Frank Lautenberg
President, United Jewish Appeal

Morton Mandel
President, Council of Jewish Federation
and Welfare Funds

Rabbi Joseph Sternstein
President, American Zionist Federation

Lawrence Weinberg
President, American Israel Public
Affairs Committee

Theodore Mann
Chairman, The Conference of Presidents
of Major Jewish-American Organization

Howard Squadron
President, American Jewish Congress

Ivan Novick
President, Zionist Organization of
America

During my trip to California last week, I saw first-
hand the acute gasoline crisis now occurring in California.
I was very distressed to see those long gasoline lines.
As a nation, we cannot tolerate a situation where citizens
are wasting hours a day sitting in lines for the gas they
need to get to work.

I recognize and share the anger and frustration of
those in California, as well as other parts of the country,
who have been forced to suffer through this problem. I
want them to know that the federal government and their state
governments are concerned about the problem and are co-
operating in every way to alleviate this crisis.

Since my return from California, the Department of
Energy has been working with other agencies of the federal
government, as well as the California State and local
governments, to develop ways to solve this problem.

Today I met with the Governor of California, the Mayor
of Los Angeles, the Speaker of the State Assembly, and the
California congressional delegation. All of us recognized
that our energy problem is a national one - requiring all
states to be treated fairly - but that there are special
problems in California caused by its high growth and relative
unavailability of public transportation.

To help California with its special problems, we have already taken a number of actions to reduce its energy problems. Last June, for instance, special incentives were given to California refiners to purchase California-produced crude oil. In addition, I recently ordered a major change in the allocation system, which has the effect of providing more gasoline to high-growth States like California.

Today, as a result of our meeting, and the Department of Energy report produced at my direction, I am taking further steps to help reduce the gasoline problem in California, as well as the rest of the country. Under the program I am announcing today, we will work to increase available gasoline supplies, in California and other hard-pressed states. We will do that by working to encourage greater gasoline production where possible, by ensuring that the gasoline which is produced is directed to areas of greatest need, and by improving our energy conservation efforts.

Today's actions, along with those California can take, will not solve its problem overnight. The tight gasoline supply problem will be with us, in California and in other parts of the country, for some time. But my actions today will make a major dent in the problem.

Nevada

This problem has been particularly acute in May, because only now are we beginning to feel the full effect of the Iranian cut-off. In the coming months, as our supplies become more predictable and the actions announced today take hold, gasoline stocks will increase.

As we work toward solving this immediate problem, one of my greatest concerns is to assure the consumers of California that they are not being misled about the availability of supplies. I have therefore today directed the Department of Justice and the Department of Energy to launch a special investigation of the oil industry in California to insure that gasoline supplies are not being withheld or manipulated in violation of federal energy or anti-trust laws. We will also improve the data available to the government on available inventories.

To make certain that the actions I have announced today are properly implemented, I have asked Charles Warren, a senior member of the Administration, to serve as my personal representative in California to help with this problem. He is a former Chairman of the California State Assembly's Energy and Natural Resources Committee, and he will be responsible for coordinating my Administration's efforts in this area in California.

I proposed the Nation's first comprehensive energy program in April of 1977. While the majority of my proposals were enacted, Congress failed to pass critical measures dealing with crude oil, leaving us vulnerable to just the sort of unanticipated situations that occurred in Iran.

I have now acted on my authority as President to begin phased decontrol of crude oil to increase domestic production, make us less dependent on foreign oil, and to encourage conservation. I have asked Congress to pass a windfall profits tax to provide the revenues necessary to accelerate greatly our technology efforts for alternate energy sources.

fails to implement this program
If the Congress ~~decides to reimpose controls and fails~~ to ~~enact a strong windfall profits tax,~~ the present situation in California is only a small sample of what our nation could face in the years ahead.

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THE WHITE HOUSE
WASHINGTON

5/19/79

Stu Eizenstat
Jack Watson

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

Rick Hutcheson

THE WHITE HOUSE
WASHINGTON

done
J

12:30 P.M.
WEDNESDAY - MAY 14, 1979

MR. PRESIDENT

SECRETARY CALIFANO CALLED.

PHIL

*Johnson - Chmn. of Bd.
will come up re their
integration -*

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THE WHITE HOUSE
WASHINGTON

5/19/79

Frank Moore

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

Rick Hutcheson

THE WHITE HOUSE
WASHINGTON

one
J

WED. MAY 14, 1979
3:20 P.M.

MR. PRESIDENT

ALASKA LANDS VOTE - UDALL
ANDERSON SUBSTITUTE - ADOPTED
270-155.

CONGRATULATIONS ARE IN ORDER
FOR MO UDALL AND JIM FREE.

FRANK

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

MAY 15 1979

2
1

MEMORANDUM FOR: THE PRESIDENT
FROM: Jim McIntyre, Jr. *Jim*
SUBJECT: National Health Plan

Secretary Califano is scheduled to present HEW's approach for Phase I of the National Health Plan to you on Thursday, May 17. He expects that decisions you make at the meeting will provide the guidance necessary to develop detailed legislative specifications for Phase I.

In spite of the substantial amount of time HEW has devoted to developing Phase I, there is no consensus among your advisors on the basic approach to the Plan. The HEW proposal represents a substantial first step toward Federal assumption of all responsibility for health care for the poor and virtually total Federal regulation of the nation's health care system. While this approach is an option which merits consideration, I feel strongly that you should be provided policy alternatives as a basis for making one of your most important first term decisions.

Therefore, I recommend that following Secretary Califano's presentation on Thursday you allow OMB to describe an alternative approach. Discussion then can follow a more complete presentation of the issues.

Because there are such fundamental differences among your advisors and because HEW's cost estimates still are fluctuating, you may find it difficult to make the key decisions on the future Federal role in health care and total 1983 resources for Phase I on Thursday. Should you find further consideration of the Health Plan necessary, I would be glad to devote our first spring budget session, tentatively scheduled for May 24, to the Plan.

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ID 792052

THE WHITE HOUSE

WASHINGTON

DATE: 16 MAY 79

FOR ACTION:

INFO ONLY: STU EIZENSTAT

HAMILTON JORDAN

SUBJECT: MCINTYRE MEMO RE NATIONAL HEALTH PLAN

+++++

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

+ BY: +

+++++

ACTION REQUESTED:

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

PLEASE NOTE OTHER COMMENTS BELOW:

474
ID 792052

THE WHITE HOUSE
WASHINGTON

DATE: 16 MAY 79

FOR ACTION:

INFO ONLY: STU EIZENSTAT

HAMILTON JORDAN

SUBJECT: MCINTYRE MEMO RE NATIONAL HEALTH PLAN

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

ACTION REQUESTED:

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

PLEASE NOTE OTHER COMMENTS BELOW:

	FOR STAFFING
	FOR INFORMATION
	FROM PRESIDENT'S OUTBOX
<input checked="" type="checkbox"/>	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND
	NO DEADLINE
	LAST DAY FOR ACTION -

ACTION
FYI

	ADMIN CONFID
	CONFIDENTIAL
	SECRET
	EYES ONLY

	<input checked="" type="checkbox"/>	VICE PRESIDENT
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	<input checked="" type="checkbox"/>	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

5/16/79

Bob Lipshutz

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

Rick Hutcheson

IO 2062

THE WHITE HOUSE

WASHINGTON

May 15, 1979

*Job - need
Do you
anything from
me?*

MEMORANDUM FOR THE PRESIDENT

FROM: ROBERT LIPSHUTZ *RL*
MICHAEL CARDOZO

RE: Financial Disclosure required by the Ethics
in Government Act of 1978

The Ethics in Government Act ("Act") of 1978 requires the President and Vice President to file a Financial Disclosure Report (Tab A) with the Director of the Office of Government Ethics ("OGE"). We have discussed with the OGE three items: (1) the reporting of gifts received from domestic sources; (2) the reporting of reimbursements received for political trips; and (3) have submitted the Jimmy Carter Personal Assets Trust ("Trust") (Tab B) for a determination of qualification as a blind trust under the provisions of this new law.

1. We have reviewed the 4,400 domestic gifts which you, the First Lady, and Amy have received and have determined that approximately 100 are of a value in excess of \$100 and must be reported.

2. We have reached agreement with OGE on the reporting of reimbursements received by you for political travel for candidates for public office. Because reimbursements for such trips have been channeled through the DNC, it appears that no political reimbursements will have to be reported.

3. On May 11, 1979 the Director of OGE advised us that the Trust did not meet the criteria established for a "qualified blind trust" under the Act, but that it could be amended to do so.

The Act requires that an initial report be filed by every government employee on May 15; the Act states that extensions are to be liberally granted. Because questions concerning your filing remained unanswered by OGE until today, I considered it necessary to request a 15-day extension for filing. The Director of the Office of Government Ethics is not required to make public the Financial Disclosure Reports filed with his office for 15 days after the reports are received.

Accordingly, reports received on May 15 will be made available to the public by OGE by June 1, 1979. I sent the attached letter (Tab C) to Bernhardt Wruble, Director, OGE, requesting a brief extension for filing, at the same time assuring him that your report will be submitted within a 15-day period, so that your submission can be released publicly at the same time it would have to be released if it had been filed on May 15.

With reference to the amendment of the existing Trust, I also am discussing this with Charles Kirbo. Within the next couple of days I will submit to you a more detailed memorandum setting out the two alternative courses of action:

1. Amend the Trust so that it will become a "qualified blind trust" under this new law; or
2. Amend the Trust so as to change its status from that of a "blind trust" to a "management trust".

In this subsequent memorandum I will try to set out the various considerations which I believe relevant in arriving at this basic decision.

INFORMATION SHEET

Financial Disclosure Report for Executive Branch Personnel

The Ethics in Government Act of 1978
(Public Law 95-521, October 26, 1978)

STANDARD FORM 278 For use by Officers and Employees filing annual and termination of employment reports.

Who Must File: The following officers and employees, if they have served 61 days or more during the preceding calendar year:

- The President;
- The Vice President;
- Officers and employees (including special government employees, as defined in 18 U.S.C. 202) whose positions are classified at GS-16 or above of the General Schedule, or whose basic rate of pay (excluding "step" increases) under other pay schedules is equal to or greater than the rate for GS-16 (step 1);
- Members of the uniformed services whose pay grade is 0-7 or above;
- Officers or employees in any other position determined by the Director of the Office of Government Ethics to be of equal classification to GS-16;
- Administrative law judges;
- Employees in the excepted service in positions which are of a confidential or policy-making character, unless their positions have been excluded by the Director of the Office of Government Ethics;
- The Postmaster General, the Deputy Postmaster General, each Governor of the Board of Governors of the U.S. Postal Service whose basic rate of pay is equal to or greater than the minimum rate of basic pay fixed for GS-16; and
- The Director of the Office of Government Ethics and each designated agency ethics official.

When to File: No later than May 15 annually. In the event an individual terminates employment, and does not accept another position listed above, the report must be filed no later than the 30th day after termination, covering:

- a. the preceding calendar year if the annual May 15 report has not been filed, and
- b. the portion of the present calendar year up to the date of termination.

Where to File: With the designated ethics agency official at the agency in which the individual is employed, except that the President and the Vice President shall file their reports with the Director of the Office of Government Ethics and members of the uniformed services shall file their reports with the Service Secretary concerned. Note: A copy of the report filed by each individual specified below shall be transmitted to the Office of Government Ethics by the agency receiving the report: (a) designated agency ethics officials; (b) nominees to and holders of positions which require confirmation by the Senate or both Houses of Congress (other than members of the uniformed services); and (c) the Postmaster and Deputy Postmaster General, and the Governors of the Board of Governors of the U.S. Postal Service.

Definitions: The terms employed in the financial disclosure report are defined as follows:

1. **Income**—All income from whatever source derived, including but not limited to the following items: compensation for services, including fees, commissions, and similar items; gross income derived from business (see "Business

Income" below); gains derived from dealings in property; interest; rents; royalties; dividends; annuities; income from life insurance and endowment contracts; pensions; income from discharge of indebtedness; distributive share of partnership income; and income from an interest in an estate or trust;

2. **Gift**—Anything of value, including a payment, advance, forbearance, or deposit of money, unless consideration of at least equal value is given to the donor, but not including:
 - a. bequest or other form of inheritance;
 - b. suitable mementos of a function honoring the reporting individual;
 - c. food, lodging, transportation, and entertainment provided by a foreign government within a foreign country or by the United States Government;
 - d. food and beverages consumed at banquets, receptions, or similar events; or
 - e. communications to the offices of a reporting individual, including subscriptions to newspapers and periodicals;
3. **Personal hospitality of any individual**—Hospitality extended for a nonbusiness purpose by an individual, not a corporation or organization, at the personal residence of that individual or his family, or on property or facilities owned by that individual or his family;
4. **Reimbursement**—Any payment or other thing of value received by the reporting individual, other than gifts, to cover travel-related expenses of such individual other than those which are:
 - a. provided by the United States Government;
 - b. required to be reported by the reporting individual under section 7342 of Title 5, United States Code (pertaining to receipt and disposition of foreign gifts and decorations);
 - c. required to be reported under section 304 of the Federal Election Campaign Act of 1971 (2 U.S.C. 434);
5. **Dependent Child**—Any individual who is a son, daughter, stepson, or stepdaughter and who:
 - a. is unmarried and under age 21 and is living in the household of the reporting individual; or
 - b. is a dependent child of such reporting individual within the meaning of section 152 of the Internal Revenue Code of 1954. If a reporting individual is permitted to take a tax deduction for a child under the provisions of section 152, that individual is a "dependent" and his or her financial interests must be disclosed.
6. **Relative**—An individual who is related to the reporting individual, as father, mother, son, daughter, brother, sister, uncle, aunt, great uncle, great aunt, first cousin, nephew, niece, husband, wife, grandfather, grandmother, grandson, granddaughter, father-in-law, mother-in-law, son-in-law, daughter-in-law, brother-in-law, sister-in-law, stepfather, stepmother, stepson, step-

TAB B

THE JIMMY CARTER PERSONAL ASSETS TRUST

THIS TRUST AGREEMENT is made as of the 20th day of January, 1977, by and between JIMMY CARTER of Plains, Georgia, as "Grantor" and CHARLES H. KIRBO of Fulton County, Georgia, as "Trustee".

1. Purpose.

This trust is created so that the Grantor, while he is serving as President of the United States, will be isolated from those of his assets which are most likely to be affected by actions of the federal government and its agencies. The Trustee will control, manage, invest and reinvest all assets of this trust in his sole discretion and without consulting the Grantor or informing him about any specific trust properties in any respect. The Trustee is directed, however, to proceed with judicious deliberation to arrange the assets of the trust so that the trust's income will not be substantially affected by federal legislation such as price supports for peanuts or other agricultural products. A net lease of any property at set rental amounts unrelated to future profits or an investment in government (local, state or federal) securities or commercial savings accounts will always be considered to be consonant with the purposes of this trust. Distributions of income or principal to the Grantor may be made solely in cash except upon termination of the trust.

2. Trust Property.

The Grantor has simultaneously with the execution of this Trust Agreement, transferred and delivered to the Trustee the property described in Schedule "A" attached hereto, which the Trustee agrees to hold in trust in accordance with the terms, conditions, and purposes of this Trust Agreement. Such assets are transferred to the Trustee subject to any loans for which they may be pledged. The Trustee acknowledges receipt of the property shown on Schedule "A" and accepts the trust upon the terms set forth in this Agreement. Additional property may be added to this trust by the Grantor or other persons at any time provided that the Trustee agrees to accept such additional property and provided that all such additional property shall be held and distributed under the terms of this Agreement as though it had been an original part of the trust.

3. Distributions of Income.

The Trustee shall manage the trust property, receive the income therefrom, pay all necessary expenses incident to the administration of the trust, and distribute the income remaining thereafter (but only to the extent that cash is available therefor) to the Grantor (or, in the event he becomes incapacitated, for

Grantor's benefit) at least annually except to the extent that the Grantor directs the Trustee in writing to accumulate all or a portion of such income or to distribute all or a portion of such income to other persons or corporations. The Trustee shall give the Grantor reasonable notice before making a distribution of such income to him so that the Grantor can determine whether he wishes to give the Trustee any directions concerning such distribution. The Trustee is authorized to borrow funds so that cash will be available to make distributions of income as provided above.

4. Distributions of Principal.

(a) The Trustee in his sole discretion may distribute principal which consists of cash to the Grantor, or otherwise, as the Grantor may request in writing. The Trustee is authorized to use any or all of the principal of the trust to provide for the support in reasonable comfort of the Grantor, his wife, and any of his minor children, taking into consideration any other sources of support available to any of them.

(b) The Grantor may direct the Trustee at any time to distribute principal of the trust (in cash or in kind) to one or more organizations described in §170 of the Internal Revenue Code. The Grantor may also direct the Trustee to distribute to or for

his benefit principal (to the extent cash is available therefor, including borrowed funds) so that capital gains taxes generated in the trust and owed by the Grantor may be paid as required by law or so that any indebtedness of the Grantor (whether principal or interest) may be paid. The Grantor shall also have the right from time to time to direct the Trustee to distribute to him all principal of the trust held in cash or cash equivalents. Notwithstanding the powers granted to the Grantor in this Section 4(b), distributions shall be made by the Trustee under Section 4(b) only to the extent that such property (income or principal) so distributed is not required for the proper administration of the trust, taking into consideration its reasonably foreseeable cash requirements, as the Trustee shall determine in his sole discretion.

5. Termination of Trust.

Unless the trust has been fully distributed under the foregoing provisions at an earlier date, this trust shall terminate upon the earlier of (i) Grantor's death (in which event the trust property then remaining shall be delivered to the personal representatives of Grantor's estate) or (ii) Grantor's ceasing to be President of the United States (in which event the trust property then remaining shall be distributed to the Grantor or as he may otherwise direct the Trustee in writing). Notwithstanding the

foregoing, the Grantor and the Trustee may agree in writing that the trust shall be continued in respect of some or all trust assets for a set period after the Grantor ceases to be President of the United States and upon such terms as they may determine in writing at that time. The personal representatives of Grantor's estate shall not be required to inquire into or audit the acts or doings of any Trustee or to make any claim against such Trustee or his estate; but the personal representatives may demand such accounting by the Trustee as they deem appropriate.

6. Reports and Accountings to the Grantor.

The Trustee shall not make any reports or accountings whatsoever to the Grantor or any other beneficiary of the trust except that he shall give to the Grantor an annual report containing (i) the information required by the Grantor in making any mandatory reports or returns to any government authority and (ii) the aggregate net asset value of the trust (including the amount of principal held in cash or cash equivalents). All such reports to the Grantor shall avoid the identification of any specific assets of the trust unless the withholding of such information would necessitate a violation of any applicable laws. The Trustee may make reports or accountings to persons other than the Grantor or any beneficiary of the trust as the Trustee shall deem desirable, provided that the

Trustee is assured that such information will be kept confidential. Notwithstanding the foregoing, on termination of this trust the Grantor may demand a full accounting by the Trustee.

7. Reports to Court

The Trustee shall not be required to file any inventories, appraisements, accounts, reports or returns of any kind to any court or to give bond.

8. Successor Trustees; Resignations; Compensation.

(a) If the original Trustee shall cease or be unable to serve as Trustee, the Grantor shall have the power to designate the person or those persons (including corporate persons) who shall serve as Trustee(s) of this trust. If all such designees (including successors thereto) should fail to qualify or should cease or be unable to serve in this capacity or if the Grantor shall fail to make a designation, then B. HARVEY HILL, JR. (currently with Alston, Miller & Gaines, of Atlanta, Georgia) shall serve as the Trustee. If B. HARVEY HILL, JR. should fail to qualify or should cease or be unable to serve as Trustee, then FRANK MYERS (currently of Myers & Parks, of Americus, Georgia) shall serve as Trustee of this trust.

(b) A Trustee may resign by delivering written notice of such resignation to the Grantor at least sixty (60) days prior

to the effective date of such resignation.

(c) No successor Trustee shall be required to inquire into or audit the acts or doings of any predecessor Trustee or to make any claim against any such predecessor Trustee or his estate.

(d) Any successor Trustee shall have and may exercise any or all of the powers herein conferred on the original Trustee as fully and to the same extent as if such successor had originally been named as Trustee herein.

(e) The Trustee shall be entitled to reasonable compensation for his services. The Trustee may suggest to the Grantor from time to time the amount of reasonable compensation to which he feels entitled and unless the Grantor objects, the Trustee shall pay himself the amount suggested. Any disputes concerning the compensation of the Trustee may be resolved by the Probate Judge of Sumter County, Georgia, in his sole discretion.

(f) The Trustee shall be entitled to reimbursement for any expenses reasonably incurred by him (including compensation and reimbursement of agents employed by him) which are appropriate for the proper administration of this trust.

9. Amendments and Revocations.

This trust may not be revoked or terminated except as provided

above. This Trust Agreement may not be modified except by instrument in writing signed by the Trustee and the Grantor. However, the Trustee shall not agree to any amendment which is in derogation of the purposes of the trust described in Section 1 above.

10. Powers of the Trustee and the Grantor.

(a) In the management, care and disposition of any and all trusts created hereunder, the Trustee shall have the power to do all things and to execute such instruments as he may deem necessary or proper, including the powers set forth in Ga. Code Annotated §108-1204 (1973 Ga. Laws 846-856) as amended to the date of the creation of this trust, all of which may be exercised without order of or report to any court. Furthermore, no sales shall require advertisement. Notwithstanding the foregoing, if at any time the Trustee holds assets having a value of over \$200,000 (excluding stock issued by Carter's Farms, Inc., interests in Carter's Warehouse, and real estate), the Trustee will employ an independent investment advisor to assist him in making investments of the trust assets other than stock issued by Carter's Farms, Inc., interests in Carter's Warehouse, and real estate.

(b) The Grantor acknowledges that during the term of this

trust he shall have no right, title or interest in, and no power or privilege to control or affect, the trust property or the income therefrom except as specifically provided in this Agreement.

11. Third Parties; Limitation of Liability and Creditors' Rights.

(a) No third party dealing with the Trustee shall be required to inquire into the Trustee's authority to make any investments, reinvestments, purchases or sales, but may presume that all such transactions have the Grantor's approval.

(b) The Trustee shall be liable to the Grantor, Grantor's wife and Grantor's minor children only for gross negligence or a wilful breach of fiduciary obligations to them. Any other person who deals with the Trustee may look only to the assets of the trust in satisfying any claim against the Trustee or the trust and neither the Trustee nor the Grantor shall be personally liable for any claims which are asserted against the Trustee or against the trust.

12. Concerns of the Grantor.

Without diminishing the powers granted above to the Trustee, the Grantor wishes to make known certain of his concerns which he hopes (but does not direct) that the Trustee will recognize as he administers the trust.

(a) Above all, the Grantor wants the Trustee to arrange

the assets of the trust so that no one should reasonably assert that the Grantor's actions as President were motivated by a desire to foster his own personal monetary gain or profit. The Trustee may be able to accomplish this result by leasing certain assets or he may determine that it is necessary to sell all assets originally transferred to the Trustee.

(b) Grantor hopes that the Trustee will be sensitive to the fact that his brother, BILLY CARTER'S livelihood is directly affected by many decisions which the Trustee will make. The effect of such decisions on BILLY CARTER, who has been the Grantor's business partner for many years, should be weighed carefully by the Trustee.

(c) It is possible that one of Grantor's sons, especially JAMES EARL CARTER, III, may want to become a part of those businesses in which the Carter family has been involved for many years. Grantor hopes that the Trustee will be able to preserve such possibility for his son(s) in a manner which nonetheless protects the main purposes for which this trust was created.

(d) The Grantor has an affinity for those farm lands which are owned by Carter's Farms, Inc. and he hopes that the purposes of this trust can be accomplished without the Trustee's having to

sell the farm lands.

13. Miscellaneous.

(a) This trust shall be interpreted in all respects under the laws of the State of Georgia.

(b) Transfers to and from this trust may be made as follows:
"(Name of Trustee), Trustee U/A Jimmy Carter dated 1/20/77".

(c) This trust may be referred to as "The Jimmy Carter Personal Assets Trust."

IN WITNESS WHEREOF, the undersigned have signed this Agreement as of the date first shown above.

L. Lee Pote

Witness

Jimmy Carter

JIMMY CARTER, Grantor

David M. Bremer

Notary

Charles H. Kirbo

Witness

Charles H. Kirbo

CHARLES H. KIRBO, Trustee

Collyer

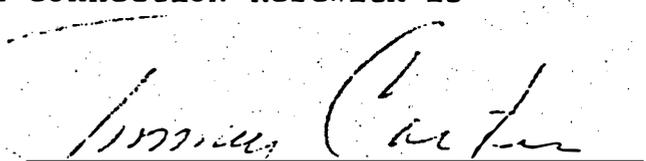
Notary

Notary Public, Georgia, State at Large
My Commission Expires Jan. 13, 1980

THE JIMMY CARTER PERSONAL ASSETS TRUST

Schedule A

1. All beneficial interests of James Earl Carter, Jr., (the "Grantor") under the will of his father James Earl Carter, Sr., which become distributable to him hereafter.
2. All the rights, titles, interests, powers, duties, obligations, and liabilities which the Grantor has as a partner of Carter's Warehouse. See Assignment No. 2 and the Quitclaim Deed attached hereto.
3. 9090 Shares of Carter's Farms, Inc. (Note: A copy of the stock assignment to be used in connection herewith is attached.)


Jimmy Carter

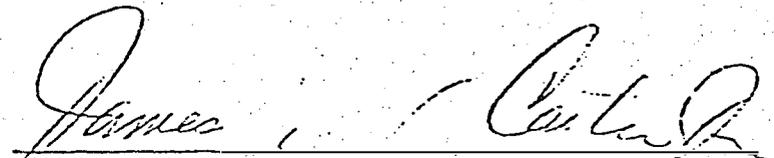
1/20/77
Date

THE JIMMY CARTER PERSONAL ASSETS TRUST

Assignment No. 1

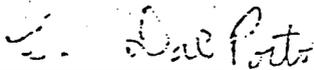
Assignment of Interests.
in Estate of
James Earl Carter, Sr.

I, James Earl Carter, Jr., do hereby transfer, assign, convey and sell to Charles H. Kirbo, Trustee U/A Jimmy Carter dated 1/26/77, all beneficial interests to which I may now or hereafter be entitled under the will of my late father, James Earl Carter, Sr., or otherwise as one of my late father's heirs at law.

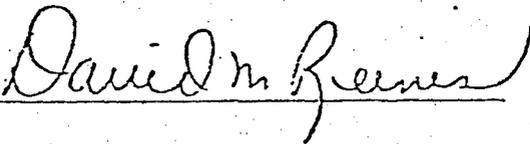

James Earl Carter, Jr.

Date 1-19-77

Witness:



Notary:



THE JIMMY CARTER PERSONAL ASSETS TRUST

Assignment No. 2

Assignment of Partnership
Interest in Carter's Warehouse

I, James Earl Carter, Jr., a partner in Carter's Warehouse (a partnership created under the laws of Georgia by Agreement dated the _____ day of _____, 19__ by and among James Earl Carter, Jr., William A. Carter, II, and Lillian G. Carter, a copy of which is attached hereto) do hereby transfer, assign, convey and sell to Charles H. Kirbo, Trustee U/A Jimmy Carter dated 1/20/77 all rights, titles, interests, powers, duties, obligations and liabilities to which I may now or hereafter be entitled or subject as a partner of Carter's Warehouse. I specifically authorize said Trustee to vote my interests as a partner in the deliberations of said partnership and otherwise to exercise all rights and do all things which I could exercise and do if I remained as a partner of said partnership. By Quitclaim Deed attached hereto, I convey to said Trustee any continuing interests which I may have in certain real property which has been used as a partnership asset.

James Earl Carter Jr.
James Earl Carter, Jr.

1-19-77
Date

Witness:

S. L. Porter

Notary:

David M. Reeves

PARTNERSHIP AGREEMENT

AGREEMENT MADE on the _____ day of _____, but effective as of January 1, 1969, between and among JAMES EARL CARTER, JR. and WILLIAM A. CARTER, II (hereinafter sometimes collectively called "Managing Partners"), and LILLIAN G. CARTER (hereinafter sometimes referred to as "Investing Partner").

WHEREAS, said partners have already formed a partnership some years ago; and

WHEREAS, it is now desired to put such partnership agreement in writing;

IT IS THEREFORE AGREED:

1. Name of Partnership

There is now existing and the parties hereto agree to the continued existence of a partnership under the firm name of: CARTER'S WAREHOUSE

2. Business Purpose

Said Managing Partners and Investing Partner are serving as partners in said partnership for the purpose of engaging in the business of buying, selling, warehousing, processing and

otherwise dealing in and disposing of agricultural products of all kinds and characters, including specifically but without limitation peanuts, cotton, and including all items and products used in connection with agriculture, including without limitation fertilizer, chemicals, feed, and similar such items.

3. Term

The partnership shall continue from year to year until terminated as hereinafter provided.

4. Principal Office

The principal place of business of the partnership shall be located in Plains, Sumter County, Georgia.

5. Capital of the Partnership

The capital of the partnership as of the execution of this Partnership Agreement shall consist of certain assets, subject to certain liabilities as are set out as of December 31, 1968, in the attached Exhibit "A". The partners own undivided interests in said capital in the same proportions as set out hereafter for sharing net profits and net losses.

6. Capital Accounts

The capital account of each partner as of December 31, 1968, is equal to the amount set forth on the books of the

7. Profits and Losses.

The net profits and net losses of the partnership shall be divided in accordance with the following percentages listed for each partner:

James Earl Carter	62%
William A. Carter, II	15%
Lillian G. Carter	23%

8. Fiscal Year of the Partnership

The fiscal year of the partnership shall be the calendar year.

9. Management

The Managing Partners shall supervise and manage the business of the partnership, and for such supervision and management shall receive an annual salary in the amounts hereinafter set out, such salary to be adjusted at any time in accordance with the decision of those partners entitled to an aggregate amount in excess of 50% of the net profits of the partnership, such partner or partners so entitled to said 50% being hereafter referred to as "Controlling Partners":

James Earl Carter, Jr.	\$20,000
William A. Carter, II	\$10,000

Any adjustments in this salary shall be evidenced in the books of the partnership and shall be noted in Exhibit "B"

the partnership for each fiscal year shall be determined after payment of the foregoing salaries as they may hereafter be adjusted.

10. Withdrawal of Profits

At the end of each fiscal year of the partnership and at such other times during the year as the partners shall mutually determine, the partners shall have the right to withdraw their shares of partnership net profits for the year to the date of such withdrawal. All withdrawals of profits shall be made in the ratio set out under the paragraph dealing with the profits of the partnership.

11. Books

Books of the partnership shall be maintained at the principal office and shall be kept on such accounting basis as the partners may determine from time to time.

12. Withdrawal

Any partner shall have the right to withdraw from the partnership at any time upon giving 90 days' notice in writing to the other partners. In such event, the partnership shall be dissolved and liquidated if notice in writing of the election to liquidate is given to the other partners within 90 days

by partners who in the aggregate would be entitled to 50% or more of the partnership profits if the partnership were to continue after withdrawal of such partner. In such event, the partnership shall be liquidated as provided in paragraph 15 hereof.

If there shall be no such election to liquidate, the withdrawing partner shall receive from the partnership the value of his or her interest in the partnership, said value to be determined as provided in paragraph 14 hereof. Any such withdrawal payments pursuant to the provisions of this paragraph shall be paid in 12 equal quarter-annual installments starting 30 days from the date fixed for the valuation of such partner's share, with interest at 6% per annum.

13. Death of Investing Partner

The Investing Partner and Managing Partners hereby agree that upon the death of the Investing Partner, the Managing Partners or their estates, provided they are then partners hereunder, shall each purchase one-half of the Investing Partner's interest in the partnership, and the personal representative or representatives of the Investing Partner shall be obligated to sell one-half of said Investing Partner's interest in this partnership to each of the Managing Partners for a purchase price determined in accordance with paragraph 14 hereof, and upon the

estate shall pay the purchase price as so determined to the Investing Partner's estate in 10 equal annual installments, evidenced by a promissory note, the first of which installment to occur one year after the date of the death of the Investment Partner, with the remaining installments occurring on the same day in each year thereafter. Such principal may be prepaid without penalty at any time and from time to time. No interest shall be charged until payment of the first installment, and the remaining amount due shall bear interest at the rate of 6% per annum on the unpaid balance from and after the day one year after the date of death of the Investing Partner. In the event only one Managing Partner or his estate is a partner hereunder at the death of Investing Partner, such partner or his estate shall carry out this obligation. Upon such purchase and sale, the estate of the Investing Partner shall have no further interest in the partnership or in its business or its assets.

14. Value of Partners' Interest

For the purpose of the payments under paragraphs 12 and 13 hereof, the value of the interest of a partner in the partnership shall be the amount of his or her capital account plus or minus any credit or debit balance in his or her drawing account, as determined at the end of the month in which

his or her death or withdrawal occurs in accordance with accounting methods regularly used by the partnership, without any allowance for good will, or intangible assets, plus such partner's pro rata share (determined using each partner's percentage of net profits or losses) of an amount equal to 20% of the book value of the tangible assets of the partnership as determined in accordance with accounting methods regularly used by the partnership. This value shall also include a pro rata share of the earned net profits of the partnership for the fiscal year in question, even if the proceeds constituting such profits have not yet been received. Any life insurance owned by the partnership shall be valued at its cash value in determining the value of such partner's interest, even though such partner may have died and the partnership may have received the face amount of such life insurance policies.

15. Liquidation

If the partnership does not elect to purchase the interest of any withdrawing partner or if Controlling Partners deem such to be appropriate after a meeting duly convened, the partnership shall promptly commence to wind up its affairs and shall distribute its assets in liquidation under the supervision of the partners and, if there be a deceased partner, the personal representative of the estate of such deceased

partner, whose interest has not been purchased as the foregoing. All profits and losses in liquidation shall be allocated among the partners in accordance with the foregoing provisions for the net profits and losses. In such liquidation, the partnership shall first pay all of its debts, then pay credit balances in the drawing accounts of the partners, and finally distribute all other proceeds against the capital accounts of the partners including any deceased partner.

16. Benefit

This agreement shall be binding upon and inure to the benefit of the partners and their legal representatives, successors and assigns, and shall not be terminated upon the death of any partner. Controlling Partners shall be entitled to transfer or assign his or their interests herein to any person, firm, or corporation or combination thereof, and all remaining partners hereby consent to any new partner or partners becoming such as a result of such assignment or transfer. Controlling Partners shall be entitled to require the transfer of all assets and liabilities of the partnership to a corporation in exchange for stock or other consideration as such Controlling Partners may deem appropriate, provided the resulting

arrangement is reasonable and fair to all partners.

IN WITNESS WHEREOF, the parties hereto have signed
and sealed this agreement.

/s/ James Earl Carter, Jr.
JAMES EARL CARTER, JR.

/s/ William A. Carter II
WILLIAM A. CARTER, II

/s/ Lillian G. Carter
LILLIAN G. CARTER

SECTION 1244 STOCK

INCORPORATED UNDER

THE LAWS OF GEORGIA

NUMBER 15

SHARES 9090



Carter's Farms, Inc.
PLAINS, GEORGIA

This certifies that Charles H. Kirbo, Trustee U/A Jimmy Carter is the registered holder of 9090 (nine thousand ninety) Shares

Carter's Farms, Inc. FULLY PAID AND NON-ASSESSABLE

transferable only on the books of the Corporation by the holder hereof in person or by Attorney upon surrender of this Certificate properly endorsed.

In Witness Whereof, the said Corporation has caused this Certificate to be signed by its duly authorized officers and its Corporate Seal to be hereunto affixed this 19th day of January A. D. 1977

Rosalynn Smith Carter
SECRETARY
Rosalynn Smith Carter



Jimmy Carter
PRESIDENT
Jimmy Carter

For Value Received, I, Jimmy Carter,

hereby sell, assign and transfer unto Charles H. Kirbo, Trustee U/A Jimmy Carter
dated January , 1977

nine thousand ninety (9090) Shares of the common

Capital Stock of the CARTER'S FARMS, INC.

standing in my name on the books of said corporation

represented by Certificate No. 9 herewith, and do hereby irrevocably constitute and

appoint _____ attorney

to transfer the said stock on the books of the within named Company with full power of substitution

in the premises.

Dated _____, 19____

Jimmy Carter

In Presence of

QUIT-CLAIM DEED--GEORGIA

THIS INDENTURE, made this 19th day of January in the year of our Lord One Thousand Nine Hundred and Seventy-Seven between JAMES EARL CARTER, JR. of the first part, and CHARLES H. KIRBO, as Trustee U/A Jimmy Carter dated January 20, 1977 of the second part.

WITNESSETH: That the said party of the first part for and in consideration of the sum of ONE DOLLAR AND OTHER GOOD AND VALUABLE CONSIDERATION, cash in hand paid, the receipt of which is hereby acknowledged, has bargained, sold and does by these presents bargain, sell, remise, release, and forever quit-claim to the said party of the second part, his successors and assigns, all the right, title, interest, claim or demand which the said party of the first part has or may have had in and to all those tracts or parcels of land located in Sumter County, Georgia and Webster County, Georgia and being more particularly described as follows:

TRACT ONE

All that tract or parcel of land lying and being in the City of Plains, Sumter County, Georgia, more particularly described as follows: BEGINNING at the point where the south right-of-way of the Seaboard Coastline Railroad intersects the east right-of-way of South Bond Street and run thence along the south right-of-way of Seaboard Coastline Railroad (which right-of-way is a curving line, the chord to which runs north 87 degrees 43 minutes east) a distance of 346.9 feet to a point; thence run south 88 degrees 49 minutes east along the south right-of-way of Seaboard Coastline Railroad 95.1 feet to a point; then run south 1 degree 11 minutes west a distance of 102 feet to a point; then run south 88 degrees 49 minutes east 93 feet to a point; then run north 1 degree 11 minutes east 102 feet to a point on the south right-of-way of the Seaboard Coastline Railroad; then run south 88 degrees 49 minutes east along the south right-of-way of Seaboard Coastline Railroad 565.9 feet to an iron pin; then run south 1 degree 11 minutes west 461.7 feet to a point; then run north 88 degrees 43 minutes east 186.6 feet to a point; then run south 13 degrees 55 minutes east a distance of 190 feet

to a point; then run north 88 degrees 16 minutes west a distance of 910 feet to an iron pin; then run north 18 degrees 35 minutes west a distance of 144 feet to an iron pin on the south right-of-way of Washington Street; then run north 88 degrees 43 minutes east along the south right-of-way of Washington Street 99.8 feet to a point; then run north 18 degrees 35 minutes west a distance of 135.1 feet to a point; then run south 87 degrees 41 minutes west a distance of 302.6 feet to a point on the east right-of-way of South Bond Street; then run north 18 degrees 49 minutes west along the east right-of-way of South Bond Street a distance of 6 feet to an iron pin; then run north 87 degrees 41 minutes east a distance of 302.6 feet to an iron pin; then run north 19 degrees 13 minutes west a distance of 201.5 feet to an iron pin; then run south 87 degrees 45 minutes west a distance of 27 feet to an iron pin; then run north 2 degrees west a distance of 60.7 feet to an iron pin; then run south 87 degrees 45 minutes west a distance of 46 feet to an iron pin; then run north 2 degrees west a distance of 46.3 feet to an iron pin; then run south 87 degrees 43 minutes west a distance of 260.4 feet to a point on the east right-of-way of South Bond Street; then run north 18 degrees 5 minutes west along the east right-of-way of South Bond Street a distance of 62.2 feet to the point of beginning. This is the same property shown on plat of survey by James R. Littlefield, Ga. Reg. Surveyor No. 1304, dated June 21, 1976 and recorded in Plat Book 10, Page 72, in the Office of Clerk, Superior Court, Sumter County, Georgia, which plat is made a part of this description by reference thereto.

TRACT TWO

All that tract or parcel of land, situated, lying and being in the Town of Preston, Webster County, Georgia, being in Block B, Lot #4. Bounded on the north by Hamilton Street; on the east by lot now or formerly belonging to N. E. Bullock, said lot being 50 feet fronting on Hamilton Street and running back 120 feet to Street south of said lot and said lot being same as deeded to Marshall Lodge Number 188 Free and Accepted Masons, by John Drew in Deed Book JJ, Page 395 in the Office of the Clerk of Webster Superior Court of Webster County, Georgia.

TOGETHER WITH all the rights, members and appurtenances to the said described premises in anywise appertaining or belonging.

THIS DEED IS GIVEN SUBJECT to all superior matters of record.

TO HAVE AND TO HOLD the said described premises unto the said party of the second part, his successors and assigns, so that neither the said party of the first part

nor his heirs, nor any other person or persons claiming under him shall at any time, claim or demand any right, title or interest to the aforesaid described premises or its appurtenances.

IN WITNESS WHEREOF, the said party of the first part has hereunto set his hand and affixed his seal the day and year above written.

Signed, sealed and delivered in the presence of:

James Earl Carter, Jr. [SEAL]
JAMES EARL CARTER, JR.

[Signature]
Unofficial Witness
[Signature]
Notary Public

My commission expires: 10/20/78

[NOTARY SEAL]

SEAL ATTACHED

QUIT-CLAIM DEED -- GEORGIA.

THIS INDENTURE, made this 25th day of January in the year of our Lord One Thousand Nine Hundred and Seventy-Seven between JAMES EARL CARTER, JR. of the first part, and CHARLES H. KIRBO, as Trustee U/A Jimmy Carter dated 1/20/77 of the second part.

WITNESSETH: That the said party of the first part for and in consideration of the sum of ONE DOLLAR AND OTHER GOOD AND VALUABLE CONSIDERATION, cash in hand paid, the receipt of which is hereby acknowledged, has bargained, sold and does by these presents bargain, sell, remise, release, and forever quit-claim to the said party of the second part, his successors and assigns, all the right, title, interest, claim or demand which the said party of the first part has or may have had in and to that tract or parcel of land located in Sumter County, Georgia and being more particularly described as follows:

Starting from north east corner of the building located on the south west corner of Hudson Street and Main Street, 134.6 feet along the south side of Main Street to the starting point; thence 61.6 feet along Main Street in a westerly direction; thence 105 feet perpendicular to Main Street in a southerly direction; thence easterly 65 feet parallel to Main Street; thence

JEC

105 feet back to starting point, with 10 foot alley on south side of this property. These are lots from J. W. Shirley estate and Mrs. Roy Black, located in Plains, Georgia, Sumter County.

TOGETHER WITH all the rights, members and appurtenances to the said described premises in anywise appertaining or belonging.

THIS DEED IS GIVEN SUBJECT to all superior matters of record.

TO HAVE AND TO HOLD the said described premises unto the said party of the second part, his successors and assigns, so that neither the said party of the first part nor his heirs, nor any other person or persons claiming under him shall at any time, claim or demand any right, title or interest to the aforesaid described premises or its appurtenances.

IN WITNESS WHEREOF, the said party of the first part has hereunto set his hand and affixed his seal the day and year above written.

Signed, sealed and delivered in the presence of:

Robert J. Spickard
Unofficial Witness

James Earl Carter, Jr. (SEAL)
JAMES EARL CARTER, JR.

Robert D. Linder
Notary Public

My Commission expires:

April 14, 1978

[NOTARY SEAL]

TACHED

TAB C

THE WHITE HOUSE

WASHINGTON

May 14, 1979

Dear Mr. Wruble:

On behalf of the President, I hereby request a 15-day extension for the filing of the Financial Disclosure Report, Standard Form 278, required to be submitted to the Office of Government Ethics by the President of the United States by the Ethics in Government Act of 1978.

As you know, we have posed a number of questions to the Office of Government Ethics concerning the reporting required by the President. Late last week, you advised that the Jimmy Carter Personal Assets Trust requires amendment if it is to be qualified as a blind trust under the Ethics in Government Act. A review of the trust instrument was immediately initiated.

Today, you advised what procedures should be followed with respect to the reporting of reimbursements for political travel made by the President. You are aware that we have been reviewing records of some 4,400 gifts received by the First Family to determine which ones must be reported.

In order to meet the requirements of the Act and to comply with your rulings on the Jimmy Carter Personal Assets Trust and the reporting of gifts and reimbursements, it is necessary to request a 15-day extension period. It is our intention to file the President's Financial Disclosure Report before June 1, 1979, so that public disclosure may be made within 15 days of the May 15, 1979 filing date.

Very truly yours,



ROBERT J. LIFSHUTZ
COUNSEL TO THE PRESIDENT

Mr. Bernhardt K. Wruble
Director
Office of Government Ethics
Office of Personnel Management
Room 5315
1900 E Street, N.W.
Washington, D.C. 20415

THE WHITE HOUSE
WASHINGTON

5-16-79

Stu -

How about

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for Preservation Purposes

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offers several long-range options for solar. Some of them give solar energy high priority. However, some research staffers complain of too much bureaucratic involvement in their studies by DOE. The solar lobby, which had credited Carter with being the most activist president on solar energy, can't understand why the report hasn't been released. They now say Carter hasn't done anything to promote solar. Fred Briggs/4:34

SOLAR--Last year, Carter made a speech in Colorado announcing a solar energy research institute and ordering a review of solar energy. Excerpts of the speech are shown. The review report was delivered to Carter in December, but it has not yet been released. NBC News has obtained a copy of the report which, in part,

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

Size of program

Reinsurance

May 16, 1979

Joe: Report in week

MEMORANDUM FOR THE PRESIDENT

From: Charlie Schultze ^{CLS}

Q
-

Subject: National Health Plan Phase I

Due to testimony on the oil decontrol program, I will not be present at the meeting with you on National Health Insurance. However, I do want to alert you to some of my concerns with the HEW proposal. Specifically:

1. Fee schedules and what they imply.

*Stimulate
Competition*

The HEW proposal includes federally-negotiated, statewide fee schedules for all payers. A large part of the escalation in medical care costs in recent years has come not from increased fees but from increased utilization. But if the Federal Government sets fees, the physicians will recoup their incomes by prescribing more services. This is a classic and well-documented response. HEW, in turn, will inevitably be forced into detailed regulation of all aspects of the health delivery system.

The establishment of mandatory and comprehensive fee schedules is thus the first step toward taking over the health system -- not through nationalization, but through increasingly detailed regulation. Eventually we will be driven to negotiated health care budgets at the state and then at the local level. Kennedy-Corman through the back door.

2. Creation of HealthCare -- The Future of Medicaid -- The Role of the States.

*Fed
standards -
State
pay*

The HEW plan merges medicare and medicaid into a new federally-run program: HealthCare. The states continue to do some intake functions and to make a financial contribution only for those already categorically eligible for medicaid. This has a number of problems.

- a. The Federal Government will administer the program fully.
- b. States will certify eligibility for welfare recipients but the Federal Government will certify eligibility for low-income, non-welfare, families. Two sets of agencies certifying income, assets, etc.
- c. The financial stake of the states in cost reduction is substantially reduced.
- d. States who now make two-parent families eligible for medicaid continue to share costs, but those who have not done so get a free ride -- the Feds pick up the full tab for these people.

Combined Impact

These two elements together set us irrevocably on the road to full and detailed Federal control over all aspects of the health care system.

I think we should not make such a choice now. There are alternative approaches that are more decentralized and control costs in other ways:

- o For medicaid: Federal standards for minimum benefits and eligibility; increased Federal cost sharing; but state administration and financial sharing for all classes of beneficiaries. This follows the route we are taking in welfare reform.
- o Introduction of competitive elements into the current health insurance systems. (For example, require employers to make uniform dollar contributions to any eligible health plan. Those employees who choose lower cost plans should receive the difference in premium costs in cash. This sets up strong incentives for cost reductions among various health care plans.)
- o Encourage and reward state cost containment and planning efforts.
- o Reduce the scope of the initial Phase I (for example, initially do not cover singles and childless couples) to minimize the upward pressure of increased demand on costs.