

**6/14/79**

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**WITHDRAWAL SHEET (PRESIDENTIAL LIBRARIES)**

FORM OF DOCUMENT	CORRESPONDENTS OR TITLE	DATE	RESTRICTION
memo	From Carswell to The President (2 pp.) re: Foreign Tax Credit Regulations	6/13/79	A
memo	From Owen to The President (one page) re: Wise Men's Group/ enclosed in Hutcheson to Brzezinski	6/13/79	A

**FILE LOCATION**

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xc: Bert ✓  
Bill S. ✓

THE WHITE HOUSE  
WASHINGTON  
14 June 79

The Vice President  
✓ Stu Eizenstat  
Bob Lipshutz

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

Rick Hutcheson

THE WHITE HOUSE

WASHINGTON

June 13, 1979

MEMORANDUM FOR: THE PRESIDENT  
FROM: STU EIZENSTAT *SE*  
SUBJECT: CETA and Parochial Schools

Throughout the history of federal manpower programs, funds have been available through local prime sponsors to religiously affiliated private schools for hiring unemployed youth and others on a non-sectarian basis to provide non-religious services. The hiring is always done without regard to religion and in a great many cases the programs are open to all children in the neighborhood.

Several months ago the Labor Department was sued in Federal District Court in Wisconsin to block any participation by religiously affiliated institutions in the CETA programs.

We have worked closely with the Labor Department to draft new and tighter draft regulations in this area.

In one important respect, however, the Justice Department has stated that it will not approve the proposed new regulations and will not defend them in court: Justice argues that while CETA funds can be used for clerical services and to provide recreational activities for children, they cannot be used for any educational purposes -- even out-of-the-classroom remedial and tutorial services.

This ruling will have the following unfortunate effects:

- o We will have to notify a broad range of Protestant and Jewish as well as Catholic institutions that they must drop the most helpful component of their summer youth and full-time programs -- the offering of tutorial and remedial services. (Often CETA funds are used to hire older students to work on an individual basis with younger students having academic problems.)

- o HEW believes that the legal rationale advanced by the Justice Department may impair our current effort to defend the use of employees hired by local school districts with federal education funds to provide special compensatory education to low-income students in parochial schools. (Note that many inner-city Catholic parochial schools are serviced by non-Catholic minority populations.)
- o The legal rationale advanced by the Justice Department appears also to prevent religious institutions from operating Headstart Centers as a number currently do.
- o The Justice position will be strongly attacked on the Hill as violating legislative intent.

We are convinced after speaking with HEW and Labor Department attorneys that although Justice can build a strong rationale for its position, the law in this area can be argued either way.

Politically, the Justice position will be very damaging with Jewish, Protestant and Catholic religious leaders.

I strongly believe that the Justice Department should be asked to defend the Labor Department's new regulations on this issue in court. Both because of the importance of the programs on the merits and because of the very great political importance of the issue with key constituencies (many of whom are already angered by our position on tuition tax credits), I believe the courts, rather than Justice, should make the ultimate constitutional determination.

You should know that Judge Bell has personally reviewed this issue and probably feels strongly about it. Nevertheless, my recommendation stands. The Vice President and Secretary Marshall also strongly support the recommendation.

Attached is a note to the Attorney General asking Justice to defend the Labor Department's regulations.

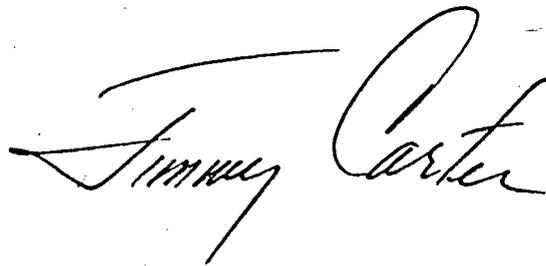
THE WHITE HOUSE

WASHINGTON

To Attorney General Bell

I am concerned about the question of permitting non-sectarian remedial and tutorial services in CETA programs operated through religiously affiliated institutions.

These programs are among the most effective offered by the CETA system and the legal issues are of national importance. Please ask your Department to defend the draft regulations which have been prepared by the Department of Labor so that the issues can receive appropriate scrutiny through our judicial system.

A handwritten signature in cursive script, reading "Jimmy Carter". The signature is written in dark ink and is positioned in the lower right quadrant of the page.

THE WHITE HOUSE  
WASHINGTON

6/13/79

Frank Moore

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

Rick Hutcheson

2684

THE WHITE HOUSE  
WASHINGTON  
June 13, 1979

*Frank - Let Harold handle this one. Add P re my present authority to institute draft J P.S. He agrees - J.C.*

MEMORANDUM FOR THE PRESIDENT

FROM: FRANK MOORE *F.M.*  
SUBJECT: Position on Registration and the Draft

Sam Nunn dropped his attempts to attach his draft amendment to the Military Procurement Bill and the bill has passed. Sam did this in return for a promise from Hatfield that Hatfield would allow the issue to come up on some other vehicle after the House has voted on the pending Military Procurement Bill which also has a draft provision in it. We have been using Brown's letter effectively but might need an escalation of our efforts and a letter from you to be used in the House while you are out of town.

Therefore, we are asking you to approve the attached statement which would most likely be used in the form of a reply letter from you to a "friendly" Senator or Congressman, and then used by supporters of our position.

John White, Deputy Director of OMB, concurs with the strategy and has approved the wording of the suggested statement attached. In addition, he has informed Secretary Brown of our thoughts on this matter.

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SUGGESTED PRESIDENTIAL STATEMENT ON SELECTIVE SERVICE SYSTEM  
REGISTRATION AND DRAFT:

There is a growing national debate over the viability of the All-Volunteer Armed Force concept and alternatives to it. Several bills are currently being considered by the Congress which would reinstitute registration and/or conscription. I oppose measures that would force a return to Selective Service registration or the draft.

I have examined the issues and the arguments surrounding this debate and have concluded that neither registration nor conscription will be necessary to maintain our active and reserve forces for the foreseeable future.

We are experiencing some problems with the All-Volunteer Armed Force such as reserve force manning and first term attrition, but these largely involve the management of our forces. Management improvements are continually being implemented in the areas of compensation, manpower requirements and military training to reduce the societal costs and improve the effectiveness of the personnel resources needed for our nation's defense. These actions are far from exhausted and sufficient management flexibility exists to cope with any anticipated problems. The last six years have demonstrated that the volunteer force can work.

With regard to the Selective Service System's performance in a future mobilization, several studies have concluded that the system cannot meet requirements without correcting certain

deficiencies in their current capability. I share this view. My FY 1979 supplemental request and FY 1980 budget request for the Selective Service System are designed to correct these deficiencies, particularly mobilization registration procedures, computer capability and organizational structure. If my requests are approved by the Congress, we will be able to meet our defense mobilization requirements by the end of FY 1980 without peacetime registration.

The continued viability of the all-volunteer force concept and the availability of alternatives less disruptive than peacetime registration to speed mobilization response times argue against major policy changes at this time. I cannot support any of the legislative proposals for conscription or mandatory registration. They are not needed for our national security interests and they do not address our actual problems. Therefore, I urge Congress to reject the registration and draft proposals currently being considered and to fund the Selective Service System at the level we have already requested.

THE WHITE HOUSE  
WASHINGTON

June 13, 1979

Mr. President:

Attached is a memo to me from Dan about Senator Nunn and registration.

I recommend that you ask Secretary Brown to call Senator Nunn.

Frank Moore

*Administratively Confidential*

THE WHITE HOUSE  
WASHINGTON

June 12, 1979

MEMORANDUM FOR FRANK MOORE

FROM:

DAN TATE *DT*

SUBJECT:

Sam Nunn -- Registration and SALT

In the course of my conversation with Sam Nunn on the Rhodesia issue today, he expressed much disappointment with the Administration because we were opposing his bill to require registration beginning in 1980.

He said our refusal to back registration raised some serious doubts in his mind about our commitment to national security and would affect his thinking on other issues. He never said SALT, but the implication was clear.

He said all the Chiefs were in favor of registration and had testified to that. He pointed out that he could only draw the conclusion that the Administration's opposition was based purely on political motives and he was going to have extremely harsh words for us in the debate on the bill. In response, I pointed out that the President had never avoided tough political issues and had never backed down from a fight or backed away from what he felt was right for the country simply because it might be unpopular politically. He conceded the point but was not satisfied.

One thing that particularly annoyed him was the fact that DoD has classified materials which, in the Senator's opinion, shows the inadequacies of the current all volunteer force and supports his assertion that we need registration to be able to respond to an emergency. He said that if we did not declassify those materials, he would seek to have the Senate exercise its power to declassify them.

I frankly do not know how genuine his expression of concern about our commitment to national security was. And I do not know what impact our position on this registration issue will have on his SALT views. The President may want to talk with Secretary Brown or with Senator Nunn directly. The Senator is not known for making idle threats, but it is not impossible that he is using SALT as leverage on this matter. It is something that must be followed up.

Susan  
ole  
J

DEPARTURE STATEMENT

Mr. Vice President, Members of the Congress, Friends:

Thirty-five years ago ~~at~~<sup>during</sup> another summit meeting in  
Potsdam, a brief message was brought in to President Truman.  
Just before dawn on the desert of Alamogordo, man had <sup>The first atomic bomb exploded --</sup>  
unleashed the power of matter itself, ~~it~~ and changed the  
world forever.

Since then the unchanging duty of every President  
of the United States has been to avoid nuclear war while  
maintaining the security of our nation. That is the purpose  
of my mission to Vienna. ~~We are a strong nation committed~~  
~~to the patient search for peace.~~ We know that progress in  
<sup>this search</sup> ~~the ways of peace~~ is, <sup>often</sup> measured in inches, <sup>and</sup> not in miles. And  
we know that the only way to have peace in the end is to  
have <sup>waged peace</sup> ~~kept it~~ all along, <sup>from a position of national strength.</sup>

The Vienna Summit will be the tenth time American

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and Soviet leaders have met since World War II. <sup>do</sup> ~~Our~~ <sup>we have</sup>

<sup>significant</sup>

differences with the Soviet Union are ~~considerable~~, and they

require the most careful discussion.

We will make clear to the Soviet Union ~~what~~ our views

<sup>our purposes</sup> and ~~goals~~ in the world ~~are~~, so that there can be no

dangerous misunderstandings as we pursue our separate

courses.

We will try to broaden our communications with the

Soviet leadership and create new channels of understanding

for the future.

We will seek new areas where more cooperation and

less competition are possible. The arms limitation treaty

which President Brezhnev and I will sign on Monday embodies

<sup>enhanced national security and increased hope for a peaceful</sup> that spirit and gives us <sup>hope</sup> ~~for the~~ future.

And with SALT II, we ~~will~~ continue the thirty year

search for ways to avoid nuclear war. That was the goal of

the Limited Test Ban Treaty, the Anti-Ballistic Missile Treaty, and of SALT I. It was the goal of three Presidents from both parties who worked for seven years to make SALT II fair, balanced and verifiable. That will be our goal as we begin to discuss further limitations and reductions in SALT III.

No one treaty can take us back to a time before we learned to arm ourselves with nuclear weapons. Just as no one summit can end the sharp competition between us.

We and the Soviet Union can, however, agree that the security of both our nations and the stability of the world depends on avoiding a nuclear conflict that some may survive -- but no one can win.

I approach this Summit in Vienna <sup>with</sup> ~~full of~~ hope, but without false expectations.

The goals which lie at the heart of my mission today --

improving our nation's security and avoiding nuclear war --  
transcend all other issues that I will face during my life  
in public office.

I am grateful for your guidance and for your good  
wishes.

~~Because of them~~ I go to Vienna with the confidence  
which can only come from representing the greatest, the  
strongest, and the <sup>most</sup> free~~est~~ society in the world.

# # # #

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THE WHITE HOUSE

WASHINGTON

June 13, 1979

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MEMORANDUM FOR THE PRESIDENT

FROM: EDWARD SANDERS *Ed*

SUBJECT: VIENNA SUMMIT - Emigration of Soviet Jews.

Max Fisher, who is the Chairman of the Jewish Agency, called me last week and asked me to meet with him and the Presidents of American Jewish organizations dealing with the emigration of Soviet Jews so that they could discuss with me, prior to your departure for Vienna, the current status of Soviet Jewish emigration. We met on Friday, June 8, from 11:00 a.m. to 1:00 p.m. A list of participants is attached.

All of the participants were extremely concerned about the backlog which has built up in Rome, and presently is in excess of 8,000 persons. As you know, the accumulation of people in Rome has created material problems with the Italian citizens and government. In addition, I am informed that there is a real worry about security threats to the safety of the emigrants.<sup>1</sup> The accumulation of persons leads to a waiting period of three to four months and not only does this result in excess costs to the private agencies involved and the government, but its cost in human suffering can not be measured.

The participants are requesting that you raise with President Brezhnev the possibility that persons going to Israel could go directly from the Soviet Union to Israel by air, or if this is not possible, then by air or train to Bucharest for immediate transit to Israel. They also recommend that freedom of choice be exercised in Moscow. This procedure would be coupled with the issuance of American visas in Moscow to all persons choosing to go to the United States.

While I believe that there are numerous questions arising out of this suggestion, I believe that the situation in Rome makes it necessary for you to raise the question of direct flights. The other matters can be deferred until after the Summit.

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RECOMMENDATION

Recognizing the seriousness of the current situation in Rome, I recommend that you raise with President Brezhnev the question of direct flights to Israel and indicate to him that you will be communicating with him at a later date concerning procedural and technical changes that may be required because of the increased number of emigrants.

1. Attachment - HIAS memo dated 6/13/79 - relating to Rome security problems.

cc: Hamilton Jordan  
Dr. Brzezinski  
Secretary Vance  
Dr. Shulman

M E M O R A N D U M

June 12, 1979

TO : Mr. Ralph I. Goldman  
FROM: Herbert Katzki  
RE : Situation in ITALY  
Telephone Call from Geneva - 1:30 PM

Messrs. Feder and Kohane telephoned. There is a problem of security in Rome.

About an hour ago Irving Haber reported that the Police asked HIAS to close their office for 2-3 days for security reasons.

JDC was asked to close its centers in Rome, Ostia and Ladispoli, also for security reasons. This was done. JDC was also asked to close its own office as well as the centers. JDC made inquiry as to what this was about, as the office required remaining open so that people could be paid. It turned out that the Italians who came were professional people who provided security and were to instal electrical equipment to provide security.

Cooler heads prevailed and the office was permitted to remain open because of the volume of people who needed payments. Mara Coen advised HIAS that we would do that.

The centers will remain closed: Ostia about 10 days, Ladispoli a few days. The school is open, as is the ORT school, but both are under heavy police protection. Three autos fully manned with armed police were posted.

The Police took action to advise people not to congregate at the Post Office, the railroad station and the market places. They were told to stay away.

The Police are providing strong reinforcements, including members of the Bomb Squad. Both JDC and HIAS offices are under police protection. The HIAS waiting room in the basement was closed as undefensible.

LIST OF PARTICIPANTS - FRIDAY, JUNE 8 - ROOSEVELT ROOM

Max Fisher, Chairman  
Jewish Agency

Edwin Shapiro, President  
HIAS

Gaynor Jacobson, Executive Vice President  
HIAS

Charlotte Jacobson, Chairman  
World Zionist Organization -  
American Section, Inc.

Donald Robinson, Chairman  
Joint Distribution Committee

Irving Kessler, Executive Vice Chairman  
United Israel Appeal

Ambassador Richard Clark

Edward Sanders

William Farrand, Soviet Desk Officer  
Department of State

Doris Meissner  
Immigration and Naturalization Service

Marshall Brement  
National Security Council Staff

Norman Anderson  
Department of State

THE WHITE HOUSE

WASHINGTON

June 13, 1979

Q

MEMORANDUM FOR THE PRESIDENT

FROM: EDWARD SANDERS *Ed*

SUBJECT: Anatoly Scharansky

I want to make certain that you know that during the past several weeks numerous influential Members of Congress have privately written to Ambassador Dobrynin stressing their concern that Scharansky and the other Prisoners of Conscience be released. The Senators include Nunn, Bryd (W.Va.), Jackson, Percy, Kennedy, Mathias, Hart, Biden and Reigle. Glenn and Baker are being approached and will likely follow suit. The Speaker, Vanik, Brademas, Fish and three members of the Trade Subcommittee of Ways and Means -- Corman, Downey, and Shannon have also written Dobrynin about Scharansky. Bryd will personally see Avital Scharansky Thursday.

The failure to include Scharansky in any group that is released will obviously have a materially adverse impact both in and out of Congress. It seems to me this can be pointed out to the Soviets.

Scharansky's health is reportedly extremely poor and the Soviets could release him as a humanitarian gesture.

Attached is a copy of the letter the Senators sent to Dobrynin.

Attachment:

a/s

cc: Hamilton Jordan  
Dr. Brzezinski

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Sample: Do Not Duplicate

Dear Mr. Ambassador

In connection with the impending vital summit meeting in Vienna, I want you to know of my deep concern about the fate of Anatolyi Scharansky, other prisoners, and refuseniks who have not been able to join their families or otherwise depart the Soviet Union. It is my sincere hope in a continuing effort to improve relations between our two nations that serious plans are now being made to release Mr. Scharansky and these other persons at an early time. These releases would be a clear sign of the intentions of your government, of the good-will which the American people, and those of us who are their representatives, need so badly as we enter the upcoming historic period of negotiations on many subjects which can reshape the course of history for generations to come.

Your longstanding service to your government in the United States has, I am sure, allowed you to observe first hand the critical importance of resolving favorably the release of Mr. Scharansky and others among the prisoners and refuseniks. I am sure that you understand the effect this would have directly on the vast majority of the United States Senate which feels very deeply about these matters. Favorable actions will speak very loudly about the course that relations between our governments will take.

It is my hope that you will transmit these sentiments  
to your President as you approach this momentous Summit  
without precedent.

Sincerely,

THE WHITE HOUSE

WASHINGTON

June 13, 1979

Q

MEMORANDUM FOR: THE PRESIDENT  
FROM: STU EIZENSTAT *Stu*  
SUBJECT: Latest Action on the Windfall Profits Tax

The Treasury Department has just reported the following actions by the House Ways and Means Committee on the windfall profits tax:

- o Upper and lower tier oil will be taxed at a rate of 70%. This tax will be permanent. Deductions for severance taxes are permitted.
- o On the OPEC price tier, no tax is imposed if prices are below \$17 per barrel adjusted for inflation plus 2% real growth; for any price increases above that level, a 50% tax rate would apply unless the price exceeded \$26 per barrel (adjusted for inflation plus 2% real growth); if the price exceeds this \$26 level, the tax rate is 70%.

Treasury will develop estimates of revenues generated by the Committee bill after final Ways and Means action tomorrow.

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THE WHITE HOUSE  
WASHINGTON  
14 Jun 79

Tim Kraft  
ARnie Miller

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the President's outbox today  
and is forwarded to you for  
appropriate handling.

Rick Hutcheson

FOR ACTION  
FYI

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

	VICE PRESIDENT
	JORDAN
	EIZENSTAT
✓	KRAFT
	LIPSHUTZ
	MOORE
	POWELL
	RAFSHOON
	WATSON
	WEXLER
	BRZEZINSKI
	MCINTYRE
	SCHULTZE
	ADAMS
	ANDRUS
	BELL
	BERGLAND
	BLUMENTHAL
	BROWN
	CALIFANO
	HARRIS
	KREPS
	MARSHALL
	SCHLESINGER
	STRAUSS
	VANCE

	ARONSON
	BUTLER
	H. CARTER
	CLOUGH
	CRUIKSHANK
	FIRST LADY
	HARDEN
	HERNANDEZ
	HUTCHESON
	KAHN
	LINDER
	MARTIN
✓	MILLER
	MOE
	PETERSON
	PETTIGREW
	PRESS
	SANDERS
	WARREN
	WEDDINGTON
	WISE
	VOORDE
	ADMIN. CONFIDEN.
	CONFIDENTIAL
	SECRET
	EYES ONLY

THE WHITE HOUSE

WASHINGTON

June 13, 1979

①

MEMORANDUM FOR THE PRESIDENT

FROM: TIM KRAFT <sup>TK</sup>  
HARLEY FRANKEL <sup>HF</sup>

SUBJECT: CONSUMER COOPERATIVE BANK

On August 20, 1978, you signed the Act which establishes a National Consumer Cooperative Bank to provide financial and technical assistance to consumer cooperatives. You appointed a thirteen member Board of Directors comprised of seven members from the federal government and six members from the general public. Two of the government members, Patricia Burr and Donald Wilkinson have submitted resignations. We recommend that they be replaced by Graciela Olivarez and William A. Clement Jr.

Graciela Olivarez is the director of the Community Services Administration (CSA). CSA has demonstrated a unique capacity to involve poor people in cooperative activity and has provided credit and technical assistance to a number and variety of low income consumer and producer cooperatives.

William A. Clement Jr. is the Associate Administrator for Minority Small Business and Capital Ownership Development at the Small Business Administration (SBA). He has served as Vice-President and Senior Loan Officer for the Citizens Trust Bank, a large minority owned bank, where he was responsible for overall credit administration and lending.

Stu and Esther concur with the following recommendation.

RECOMMENDATION

Nominate Graciela Olivarez, of CSA, and William A. Clement Jr., of SBA, to be Members of the Board of Directors of the National Consumer Cooperative Bank.

\_\_\_\_\_ approve \_\_\_\_\_ disapprove 

11-15  
f  
THE WHITE HOUSE  
WASHINGTON  
14 Jun 79

Tim Kraft  
ARnie Miller

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the President's outbox today  
and is forwarded to you for  
appropriate handling..

Rick Hutcheson

TWO MEMOS ATTACHED

2678

FOR ACTION  
FYI

<input type="checkbox"/>	FOR STAFFING
<input type="checkbox"/>	FOR INFORMATION
<input checked="" type="checkbox"/>	FROM PRESIDENT'S OUTBOX
<input type="checkbox"/>	LOG IN/TO PRESIDENT TODAY
<input type="checkbox"/>	IMMEDIATE TURNAROUND
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<input type="checkbox"/>	BUTLER
<input type="checkbox"/>	H. CARTER
<input type="checkbox"/>	CLOUGH
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<input type="checkbox"/>	HUTCHESON
<input type="checkbox"/>	KAHN
<input type="checkbox"/>	LINDER
<input type="checkbox"/>	MARTIN
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<input type="checkbox"/>	MOE
<input type="checkbox"/>	PETERSON
<input type="checkbox"/>	PETTIGREW
<input type="checkbox"/>	PRESS
<input type="checkbox"/>	SANDERS
<input type="checkbox"/>	WARREN
<input type="checkbox"/>	WEDDINGTON
<input type="checkbox"/>	WISE
<input type="checkbox"/>	VOORDE
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<input type="checkbox"/>	ADMIN. CONFIDEN.
<input type="checkbox"/>	CONFIDENTIAL
<input type="checkbox"/>	SECRET
<input type="checkbox"/>	EYES ONLY

THE WHITE HOUSE  
WASHINGTON

June 11, 1979

MEMORANDUM FOR THE PRESIDENT

FROM: TIM KRAFT <sup>TK</sup>  
ARNIE MILLER  
HARLEY FRANKEL <sup>H</sup>

SUBJECT: Ambassadorial Appointments

Secretary Vance has made the following recommendations for Ambassadorial assignments:

Donald R. Norland	Chad
John R. Clingerman	Lesotho
Harry R. Melone, Jr.	Rwanda
Nelson C. Ledsky	Uganda

All of the candidates are Foreign Service Officers.

Mr. Norland is fifty-four years old and presently Ambassador to Botswana, Lesotho and Swaziland.

Mr. Clingerman is forty-eight years old and is Deputy Chief of Mission, Lusaka.

Mr. Melone is fifty years old and is Acting Charge, Brazzaville.

Mr. Ledsky is forty-nine years old and is Deputy Assistant Secretary for Congressional Relations.

Zbig Brzezinski concurs.

RECOMMENDATION:

That you nominate Donald Norland for Chad; John Clingerman for Lesotho; Harry Melone for Rwanda; and Nelson Ledsky for Uganda.

approve  disapprove

  
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UNDER SECRETARY OF STATE  
FOR MANAGEMENT  
WASHINGTON

May 21, 1979

MEMORANDUM FOR: Mr. Tim Kraft  
The White House

THROUGH: Ms. Patty Pettit

FROM: Ben H. Read *BHR*

Secretary Vance has decided to recommend that the following career officers should be nominated for the posts indicated:

Chad	Donald R. Norland
Lesotho	John R. Clingerman
Rwanda	Harry R. Melone, Jr.
Switzerland	Richard D. Vine
Uganda	Nelson C. Ledsky

Biographic information on all individuals is attached. We will begin the various clearance procedures upon receiving the President's approval.

CANDIDATE FOR CHAD

NAME: Donald R. Norland

AGE: 54

AREA OF EXPERIENCE: Africa, Europe

COUNTRIES OF EXPERIENCE: Morocco, Ivory Coast, France,  
Netherlands, Guinea, Botswana

RANK: Foreign Service Officer of Class I

FOREIGN LANGUAGES: French, Dutch

EDUCATION: BA, Minnesota, 1948

PROFESSIONAL EXPERIENCE:

1976-present Ambassador (Botswana, Lesotho, Swaziland)  
1975-76 Deputy Director, Management Operations,  
Department  
1973-75 Personnel Officer, Foreign Service Counseling  
and Assignments, Department  
1972-73 Political-Military Officer, Bureau of  
Political-Military Affairs, Department  
1970-72 Deputy Chief of Mission, Conakry  
1969-70 Stanford University Fellowship  
1964-69 Political Officer, The Hague  
1963-64 Air Command and Staff College  
1961-63 Political Officer, U.S. Mission to Regional  
Organizations, Paris  
1958-60 Principal Officer, Abidjan  
1956-58 Office of French North African Affairs,  
Department  
1953-56 Assistant Public Affairs Officer, Rabat

Norland's career has been marked by broad functional experience: he has served as a public affairs officer, worked in political-military assignments, done extensive work in the Department's

personnel system, in addition to his basic specialization as a political officer. He is a steady, thoughtful officer with a sharp analytical mind and acute political sense. Articulate and persuasive, he is experienced and skilled in representation and public relations. Norland would bring to N'djamena a wealth of managerial experience in Africa. As DCM in Conakry, he was highly praised for his decisive and alert command of Embassy operations during a troubled period in our relations with Sekou Toure. As Ambassador to Botswana (also accredited to Lesotho and Swaziland) he has demonstrated a fine sensitivity to the different political systems and personalities of these three countries, and has skillfully handled program direction in the three missions he heads in these non-contiguous territories.

CANDIDATE FOR LESOTHO

NAME: John R. Clingerman

AGE: 48

AREAS OF EXPERIENCE: Africa, Europe

COUNTRIES OF EXPERIENCE: Dahomey, Belgium, Zambia,  
Nepal, Zaire

RANK: Foreign Service Officer of Class III

FOREIGN LANGUAGES: French, German

EDUCATION: AB, Michigan State University 1953  
MA, Michigan State University 1957

PROFESSIONAL EXPERIENCE:

1976-present Deputy Chief of Mission, Lusaka  
1975 to 1976 National War College  
1973 to 1975 Personnel Officer, Department of State  
1972 to 1973 Education and Cultural Officer, Bureau of  
Cultural Affairs, Department of State  
1969 to 1972 Political Officer, Brussels  
1966 to 1969 Deputy Chief of Mission, Cotonou  
1965 to 1965 University Training  
1964 to 1965 International Relations Officer, Bureau of  
African Affairs  
1963 to 1964 Principal Officer, Kisangani  
1962 to 1963 Economic Officer, Kinshasa  
1959 to 1962 Economic Officer, Kathmandu

Clingerman is a highly experienced Africanist who is now completing his third year as DCM in Lusaka where he has been deeply involved in all the key issues confronting us in southern Africa. He knows Africa from the standpoint of the continent itself and from the perspective of the metropole as well, since he specialized in African studies at the University of Paris and also served in Brussels. Not only does he know

Africa well, but he also enjoys serving there and has consistently turned in a top performance in his many African assignments. He has a record of being an outstanding political officer and a very able manager of people and programs. His success in bringing out the best in others, particularly younger officers, as well as his long experience in dealing with African issues indicate that he would be ideally suited for Lesotho.

CANDIDATE FOR RWANDA

NAME: Harry R. Melone, Jr.

AGE: 50

AREA OF EXPERIENCE: Africa, Europe, South Asia

COUNTRIES OF EXPERIENCE: Iran, France, Togo, Niger, Guinea, Congo  
(Brazzaville), Central African Empire

RANK: Foreign Service Officer of Class II

FOREIGN LANGUAGES: French

EDUCATION: AB, Dartmouth College, 1950

PROFESSIONAL EXPERIENCE:

1979-present Acting Charge, Brazzaville

1977 to 1979 Foreign Affairs Coordination Officer, Bureau  
of Intelligence Research

1973 to 1977 Political Officer, Paris

1971 to 1973 International Relations Officer, Office of East  
African Affairs

1970 to 1971 National War College

1968 to 1970 Political Officer, Conakry

1966 to 1968 International Relations Officer, U.S. Mission to  
the UN

1964 to 1966 Office of Central African Affairs

1963 to 1964 Deputy Chief of Mission, Niamey

1961 to 1963 Deputy Chief of Mission, Bangui

1959 to 1961 Office of Personnel

1954 to 1959 Economic Officer, Paris

1953 to 1954 Political Officer, Tehran

1952 to 1953 Political Officer, Tabriz

Melone has specialized in African Affairs since 1961 and he is one of the most knowledgeable officers in the Foreign Service on Francophone Africa. He has served with distinction in Francophone Africa posts (in both west and central Africa) and as resident African specialist at our Embassy in Paris, where many of the Francophone Africa problems come into focus. Melone has established strong credentials in management and representational ability. He has been described as the utmost in patience, judgment, even-temperament and political acumen, all of which are qualities important in Kigali. Earlier this year Melone was detailed to serve for a number of months as acting Charge in Brazzaville, where he did a fine piece of work in a very tricky situation.

CANDIDATE FOR UGANDA

NAME: Nelson C. Ledsky

AGE: 49

AREAS OF EXPERIENCE: Africa, Europe, Latin America

COUNTRIES OF EXPERIENCE: Guyana, Nigeria, Federal Republic of  
Germany

RANK: Foreign Service Officer of Class II

FOREIGN LANGUAGES: German

EDUCATION: AB, Western Reserve University 1951  
MA, Columbia University 1953

PROFESSIONAL EXPERIENCE:

1977-present Deputy Assistant Secretary for Congressional  
Relations

1976 to 1977 Director, Office for Southern European Affairs

1973 to 1976 Deputy Director, Office for South European  
Affairs

1970 to 1973 International Relations Officer, Office of  
Central European Affairs

1969 to 1970 International Relations Office, State Department  
Operations Center

1964 to 1969 Political Officer, Bonn

1962 to 1964 Junior Officer, Enugu (Nigeria)

1961 to 1962 African area and language training

1959 to 1961 Junior Officer, Georgetown

Ledsky is well acquainted with the African scene from his early assignments in the developing world (including Nigeria) and from his studies at the Foreign Service Institute in African area and languages. In addition, for the past two years he has served as Deputy Assistant Secretary in Congressional Relations, where he has done an excellent job in explaining our African policies to members of Congress. Ledsky has also had considerable experience in German and Southern European Affairs, where he was deeply involved in the nettle

of Greece-Turkey-Cyprus problems. He is a mature, self-reliant officer who is forceful in defining his views. His penchant for action-oriented jobs, drive, and talents as a spark-plug in getting things done seem ideally suited for confronting the many issues we will be facing in Kampala.

THE WHITE HOUSE

WASHINGTON

C

June 12, 1979

MEMORANDUM FOR THE PRESIDENT

FROM:

TIM KRAFT *TK*

ARNIE MILLER *MF*

SUBJECT: Equal Employment Opportunity Commission

The Equal Employment Opportunity Commission is a bipartisan commission composed of five commissioners appointed by you and confirmed by the Senate.

The term of Daniel E. Leach, Vice Chairman of the Commission, will expire on July 1, 1979. We recommend his reappointment as a Commissioner and as Vice Chair of the Commission. Eleanor Holmes Norton and Robert Lipshutz concur in this recommendation.

Daniel Leach has served as a Commissioner since 1976 and was designated Vice Chairman by you in August 1977. He served as General Counsel to the Senate Democratic Policy Committee from 1966 to 1976 and was formerly associated with the law firm of Sullivan, Moody and Petrillo in Detroit. Commissioner Leach also serves as a member of the President's Regulatory Council, the Task Force on Youth Unemployment, and the Administrative Council.

RECOMMENDATION:

Nominate Daniel E. Leach to the Senate as Commissioner and Vice Chairman of the Equal Employment Opportunity Commission.

approve

disapprove

*[Handwritten signature]*

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DANIEL E. LEACH, VICE CHAIRMAN  
UNITED STATES EQUAL EMPLOYMENT OPPORTUNITY COMMISSION  
WASHINGTON, D.C.

Appointed Vice Chairman of the Commission by President Carter on August 12, 1977; Serves also as a member of the President's Regulatory Council, the Task Force on Youth Unemployment and the Administrative Conference of the United States.

Appointed by President Ford and confirmed by the United States Senate in 1976 to fill a vacancy on the United States Equal Employment Opportunity Commission.

Masters Degree in Law - Georgetown University Law Center, 1963.  
LL.B., Detroit College of Law, 1961.  
A.B., Colgate University, 1958.  
Married, three children.

From 1962 to 1965 served as Trial Attorney, Civil Division, U.S. Department of Justice. Handled the prosecution and defense of actions relating to the government's water transportation and shipping interests, including the full spectrum of matters within the civil and maritime fields. Numerous court appearances for trials hearings and all phases of litigation.

From 1965 to 1966 was associated in the private practice of law with Sullivan, Eames, Moody and Petrillo in Detroit.

From 1966 to 1976 served as General Counsel, Democratic Policy Committee, United States Senate. Worked directly under Majority Leader and Policy Committee Chairman Mike Mansfield to develop responses to all major issues of national and international concern. Helped plan and devise strategy to implement the Senate's legislative program, advised committee members and other senators on substantive and procedural matters relating to legislation and national policy. Wrote extensively and served as liaison for substantive issues between the Democratic Leadership and all Senate Committees, senators' offices, the Joint Leadership of the House, the press and various organizations interested in legislation.

Related Activities: Visiting Professor of Law, University of Denver (1972) The Catholic University of America (1973). Headed Congressional Staff Delegations to the Japanese Economic Research Council Sessions on International Trade (1973), and, at the invitation of Prime Minister Palme, to Sweden's interparliamentary sessions on international economics (1975). Member of the D.C. Bar and several Bar groups and author/co-editor of various articles/books including: Affirmative Action After Bakke, Law & Business, Inc.; Harcourt Brace Jovanovich (1978); "Affirmative Action Guidelines: An Appropriate Response", Labor Law Journal, Commerce Clearing House (September 1978); "Title VII of the Civil Rights Act and The Reorganization of EEOC", Mercer Law Review, Vol. 29, No.3 (1978); "No-Fault Compliance: Mediation of Employment Discrimination Cases", The Journal of the College & University Personnel Association, Vol. 29, No.2, (1978); "A Look at the Record", a commentary, The Washington Post, May 8, 1976.

EQUAL EMPLOYMENT OPPORTUNITY COMMISSION

Independent

AUTHORITY: P.L. 88-352, July 2, 1964  
P.L. 92-261, March 24, 1972  
42 U.S.C. 2000C-4

METHOD: Nominated to the Senate

MEMBERS: FIVE - Not more than THREE of whom shall be members of the same political party

CHAIRMAN  
and  
VICE CHAIRMAN: The President shall designate one member to serve as Chairman and one member to serve as Vice Chairman

TERM: FIVE YEARS, except that of the original members, one shall be appointed for a term of one year from July 2, 1964;  
one for a term of two years from July 2, 1964;  
one for a term of three years from July 2, 1964;  
one for a term of four years from July 2, 1964, &  
one for a term of five years from July 2, 1964.

Vacancies shall be filled for the unexpired term of the member succeeded, and members shall continue to serve until their successors are appointed and qualified, except that no member shall continue to serve (1) for more than 60 days when the Congress is in session unless a nomination to fill such vacancy shall have been submitted to the Senate, or (2) after the adjournment sine die of the session of the Senate in which such nomination was submitted.



Page 2 - Continued

EQUAL EMPLOYMENT OPPORTUNITY COMMISSION

Independent

SALARY: Chairman: Level III (5 U. S. C. 5314)  
Members: Level IV (5 U. S. C. 5315)

THE WHITE HOUSE

WASHINGTON

14 Jun 79

STu Eizenstat  
Jim McIntyre

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

Rick Hutcheson

Elliot Cutler



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

June 12, 1979

To Jim  
Stu  
Good thoughts  
J

INFORMATION

MEMORANDUM FOR THE PRESIDENT

FROM: JIM McINTYRE *Jim*  
SUBJECT: Synthetics and Energy Supply

I thought you should be aware of some of the recommendations the staff is developing on synthetics and energy supply initiatives. We should complete this process by Wednesday and get our recommendations shortly thereafter.

Attachment

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

June 12, 1979

MEMORANDUM FOR: JIM McINTYRE  
STU EIZENSTAT

FROM: ELIOT CUTLER *EC*

SUBJECT: Synthetics and Energy Supply

I have done a considerable amount of thinking over the last few days, have talked with various staff people, and met at length this morning with Lloyd Cutler.

A few things are clear:

1. There is growing agreement that the nation's most critical vulnerability is mid-term, i.e., over the next 20-30 years.
2. Conservation, no matter how compelling the arguments for it, is politically unattractive and can only be a part of a much broader strategy for overcoming that vulnerability.
3. Although the President enunciated a far-reaching program of alternative energy development in his April 5 message, we have left a major part of it undefined (petroleum substitutes), have failed to package and sell the whole very well, and have concentrated too much of our time and attention on the tax and decontrol--both of which, I think, are likely to take care of themselves more than we have thought.
4. The frustration and uncertainty, combined with increasing apprehensions about vulnerability, that has gripped the country has produced an environment in the Congress where any answer is an attractive one--even if its wrong.
5. We need to seize leadership on alternative energy development--as we have on decontrol and the tax--in order to avoid not only serious political damage, but also the possibility that genuinely bad and very expensive investment decisions will be made by a Congress in panic.

6. The Moorhead bill is a minor vehicle. It has the highest visibility currently, but it pales in its consequences compared to Jackson's just-introduced omnibus bill (with its enormous pork-barrel potential) or a full-blown scheme such as the Cutler/Zuckert/Ignatius plan to invest \$200 billion or more in creating 5 million barrels per day of synthetic capacity.

There are three things we should do:

1. Within a week, announce our support for the Moorhead bill (authority for a government-buy program for synthetic petroleum) if it is discretionary and funded out of the Trust Fund. If it is discretionary, it will simply be another tool in our arsenal, and perhaps a useful one.
2. At the same time, announce that the President has asked John deButts, Felix Rohatyn, or some such type to study the feasibility of a Liquid Fuels Development Corporation--a government corporation--and to report back to him within 30 days on (a) whether such a corporation makes sense, (b) what its structure and relationship to the government ought to be, and (c) what financing authorities ought to be made available to it.
3. A small task force made up of carefully selected staff from OMB, DOE, CEA and other agencies should be charged to carry out--within the same 30-day period and on a full-time basis--the sort of comparative analysis of ways to meet various import reduction target levels that the President approved in the Spring Budget Review. Only through this sort of an exercise will we be able to insure that potentially more sensible and cost-effective alternatives to synthetics (e.g., conservation, Mexican and Alaskan gas, unconventional sources of domestic gas) will be considered in an overall supply strategy.

I think we can buy the month's time needed to accomplish tasks #2 and #3 if we make an early move on the Moorhead bill and announce the study of a government corporation. We need that time in order to avoid the kind of total commitment to synthetics that is simply the domestic equivalent of buying our way out of the crisis through paying higher and higher oil prices.

FOR ACTION  
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	MARTIN
	MILLER
	MOE
	PETERSON
	PETTIGREW
	PRESS
	SANDERS
	WARREN
	WEDDINGTON
	WISE
	VOORDE
	ADMIN. CONFIDEN.
	CONFIDENTIAL
	SECRET
	EYES ONLY

cc Eliot  
Cutler

DATE: 13 JUN 79

FOR ACTION:

INFO ONLY:	THE VICE PRESIDENT	HAMILTON JORDAN
	STU EIZENSTAT	FRANK MOORE
	JODY POWELL	JERRY RAFSHOON
	JACK WATSON	ANNE WEXLER
SUBJECT:	MCINTYRE MEMO RE SYNTHETICS AND ENERGY SUPPLY	

+++++

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

+ BY: +

+++++

ACTION REQUESTED:

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

PLEASE NOTE OTHER COMMENTS BELOW:

THE WHITE HOUSE  
WASHINGTON

6/13/79

Mr. President:

OMB and Kahn concur.

NSC has no comment.

Rick

THE CHAIRMAN OF THE  
COUNCIL OF ECONOMIC ADVISERS  
WASHINGTON

June 13, 1979

MEMORANDUM FOR THE PRESIDENT

FROM: Charlie Schultze CS

SUBJECT: The Impact on Domestic Food Prices of Recent  
Soviet Grain Developments

We have been counting heavily on favorable food price trends to serve as a damper to inflation. However, recent reports that the Soviet grain harvest may be substantially short of normal and, hence, that the Soviets may be seeking to purchase abnormally high quantities of grain from us in the coming year are disturbing developments. While the situation is not as critical as 1973-75, the impact on domestic food prices could be substantial.

Even with Soviet purchases from the United States of 18-20 million metric tons, we project season average wheat prices at the farm of about \$3.70 per bushel, up 75 cents per bushel over the 1978-79 season. Corn at the farm is likely to average \$2.70 per bushel, up 50 cents. Soviet purchases of about 25 million tons here might produce \$4.25 per bushel wheat and \$3.15 per bushel corn. While the direct impact on flour, bread, and cereal prices would be important, even more significant would be the impact on meat prices in 1980. Sharply higher food prices could slow or reverse the expansion now underway in pork and poultry production, and delay the rebuilding of cattle herds. Finally, the size of the world stock draw-down associated with Soviet purchases of this magnitude would put us into some jeopardy going into the 1980-81 crop year.

I strongly urge you, therefore, not to increase the 15 million ton limit on Soviet imports from us this year and to refrain from making any commitments to the Soviets concerning exports in 1979-80 beyond the 8 million ton level until the grain supply situation is further clarified.

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DATE: 13 JUN 79

FOR ACTION: ZBIG BRZEZINSKI

JIM MCINTYRE

*Concur*

ALFRED KAHN *strong  
concur*

STU EIZENSTAT

INFO ONLY: THE VICE PRESIDENT

FRANK MOORE

SUBJECT: SCHULTZE MEMO RE THE IMPACT ON DOMESTIC FOOD PRICES  
OF RECENT SOVIET GRAIN DEVELOPMENTS

+++++

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

+ BY: +

+++++

ACTION REQUESTED: PHONE IN COMMENTS IMMEDIATELY

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

PLEASE NOTE OTHER COMMENTS BELOW:

1

THE WHITE HOUSE  
WASHINGTON

14 Jun 79

Frank Moore

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the President's outbox today  
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your information.

Rick Hutcheson

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	WEDDINGTON
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THE WHITE HOUSE

WASHINGTON

June 13, 1979

*Not  
done  
J*

MEMORANDUM FOR THE PRESIDENT

FROM: FRANK MOORE

Stu told me you called him about Hospital Cost Containment and he asked me to respond. The two votes we aren't sure of are Boren and Chafee. I have called Chafee. He is coming out of the Finance Committee to talk to me. His staff man says he is sure that he will vote for us but I suggest you call David Boren and ask him to vote with Chairman Long for Hospital Cost Containment. It is currently in the Senate Finance Committee.

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THE WHITE HOUSE  
WASHINGTON  
14 June 79

Secretary Schlesinger  
Stu Eizenstat  
Jim McIntyre

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Rick Hutcheson

Frank Moore

2672

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THE WHITE HOUSE

WASHINGTON

June 13, 1979

*Jim, Stu, Jim*  
*ok*  
*J*

MEMORANDUM FOR: THE PRESIDENT

FROM: JIM SCHLESINGER *Stu*  
STU EIZENSTAT  
JIM MCINTYRE

SUBJECT: Moorhead Synfuels Bill

As part of the growing Congressional interest in the development of petroleum substitutes (synfuels), the Department has been asked to comment upon and help improve HR 3930, a bill to provide for the purchase of synthetic fuels, sponsored by Congressman Moorhead, Wright, Ashley and others. The Moorhead Bill amends the Defense Production Act to permit government purchase and price guarantees for synthetic fuels and authorizes up to \$2 billion for that purpose.

DoE will take the lead in developing for your review a comprehensive proposal to reduce imports and to provide alternative energy supplies. The Moorhead Bill, with several changes, can be made consistent with this broader program. Price guarantees and purchase authority are potentially useful approaches to the creation of synfuels capacity. Passage of the Moorhead Bill would not require the Administration to use the Moorhead approach as the exclusive course of action for synfuel development, nor commit the Administration to any particular course of action. As you know from your conversations with Congressional leaders, this may be one of several such proposals introduced in the Congress. The broader Administration program now being developed will provide a wide range of options suited to the differing characteristics and needs of different technologies and industries.

While our broader proposal is being completed, we would recommend that the Administration support the Moorhead Bill if several adjustments are made. We have reason to believe that many of these changes will be accepted by the sponsors.

These areas of concern include:

- o The bill authorizes appropriations of \$2 billion. Unless this proposal is tied to the Energy Security Trust Fund, we risk a run on the Treasury for

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other similar proposals (e.g., the oil shale tax credit and a second SRC plant) which we have insisted be contingent on the Fund.

- o The purchase authority expires in 1995. This is insufficient time to induce construction of needed facilities given the current range of uncertainties. Contracts for delivery must extend for the life of any plant built. If a date must be specified, it should be 2020 or later.
- o The bill prohibits buying more than 100,000 barrels per day from any one firm. But the economic size for methanol plants, for example, may be over 100,000 barrels per day. The limit should be increased to approximately 200,000 barrels per day to ensure that any potential economies of scale can be achieved.
- o The price guarantees provisions need strengthening. The government should be empowered to sign take-or-pay contracts, and to renegotiate them if conditions change significantly.
- o The bill does not define market prices adequately, leaving some uncertainty as to the scope of price guarantees. It also does not make clear that the products purchased should be compatible with anticipated uses.
- o The bill sets a target of 500,000 barrels per day by 1985. Without parallel authority to cut through regulatory red tape and delays, which the bill does not provide, this target will be impossible to meet. No significant production could come on stream before 1987 under current permitting procedures. While we may also want to consider measures designed to expedite the current regulatory process in our own later proposal, the Moorhead 1985 target in any case needs revision in recognition of this problem.
- o The section that gives the President authority to install government equipment in private facilities should have a clause to minimize possible compulsory use of this authority.

### Recommendations

With your concurrence, and if the timing is appropriate, we will indicate the Administration's support for the Moorhead Bill (with proposed changes) as a useful approach for creating synthetic fuel capacity in the U.S.

THE WHITE HOUSE  
WASHINGTON

Mr. President:

Henry Owen said the  
MTN legislation would be  
on your desk upon return  
from Vienna.

Phil

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THE WHITE HOUSE  
WASHINGTON  
14 Jun 79

Ambassador Strauss  
Jim McIntyre

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the President's outbox today  
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appropriate handling.

Rick Hutcheson

Frank Moore

Eizenstat

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*Send both memos*

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THE WHITE HOUSE  
WASHINGTON

6/13/79

Mr. President:

Strauss' comments, opposing the OMB recommendation, are attached.

Blumenthal and CL concur with Strauss.

Blumenthal: "We strongly opposed the granting of a tax payment deferral privilege to the US distilled spirits industry. However, because of the strong support the Senate Finance Committee gave to the concession and the eventual outcome at the Conference, we believe that the key members of Congress would view dropping the tax payment deferral provision from the MTN package submitted by the Administration as an act of bad faith. We, therefore, cannot concur with OMB."

CL thinks "you should go along with the clear will of the Senate Committee and the strong views of the successful House Members."

DPS comment has not yet been received.

Rick



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

JUN 7 1979

To: Jim  
 Bob  
 Leave agreement  
 Work  
 as is -  
 Strauss to assure  
 he & Corp committees  
 prevent expansion of  
 deferral to  
 other goods  
 J

MEMORANDUM FOR THE PRESIDENT

FROM: Jim McIntyre *Jim*  
 SUBJECT: Liquor Tax Deferrals and the MTN

A provision to delay the collection of liquor excise taxes by 15 days is now in the Senate/House recommendation on the MTN bill, despite our efforts to keep it out. The liquor industry wants this concession because the MTN will effectively decrease liquor tariffs and tax imports bottled here the same way as imports bottled abroad. As you know, we have the final say on what goes into the MTN bill, because once submitted by the Administration, the bill cannot be amended. However, we are apprehensive about ignoring a formal Congressional recommendation.

The concession to the liquor industry to defer their taxes runs contrary to our other cash management proposals to accelerate the collection of taxes. While the liquor tax deferral will cost only \$135 million in one-time revenue loss over three years, and a small recurring interest loss on that money, deferring liquor taxes sets an extremely dangerous precedent. Our proposals to accelerate collection of customs duties and tobacco excise taxes worth \$400 million on a one-time basis will almost certainly be subject to compromise, if we give liquor a special break. In fact, we might have to equally delay the collection of these taxes as well, which would cause a one-time loss of another \$400 million.

*Seems exaggerated. Do not let this happen.*

Most important, however, such a concession may jeopardize our much larger cash management efforts to accelerate collection of general taxes, which will provide a one-time savings totalling some \$10 billion in 1981 and 1982, nearly \$4 billion in later years and recurring interest savings approaching \$1 billion a year. As you know, these savings will be necessary if we are to meet our FY 81 budget objectives.

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It is not clear how critical the liquor tax concession is to the overall MTN strategy. The Senate conferees strongly support the provision, while among House members it only squeaked through by a last minute 11-10 vote, after the House conferees had twice rejected it earlier. Eliminating the liquor tax deferral will further irritate the liquor industry and may irritate some members of the Senate/House conference who expect us to honor their recommendation. Leaving the deferral in will irritate the wine and beer producers, who got no deferral and want one, and will strengthen the arguments of other special interests (e.g., the brokers and tobacco industry) for similar treatment. The prospect of unraveling the larger cash management savings, which are critical to your 1981-1982 budget strategy, is the real issue. For this reason, we recommend that you disapprove the liquor tax concession.

Decision

\_\_\_\_\_ Disapprove concession to delay domestic liquor excise tax collections (OMB)

\_\_\_\_\_ Incorporate concession in MTN bill

\_\_\_\_\_ See me



THE SPECIAL REPRESENTATIVE FOR  
TRADE NEGOTIATIONS  
WASHINGTON

cc Bob  
Jim  
J

JUN 11 1979

MEMORANDUM FOR THE PRESIDENT

FROM: Robert S. Strauss *RS*

SUBJECT: Liquor Tax Deferral in the MTN Bill

I strongly recommend that we accept the Senate/House recommendation to include in the MTN bill a 15-day deferral of liquor tax collection. I realize Jim McIntyre opposes the recommendation. But accepting the Congress' recommendation is essential -- not as much to the passage of the trade bill but of proper dealings with the Congress by the Administration. We can limit the deferral to the liquor tax only, thus avoiding it becoming a precedent for other tax programs--which is Jim's main concern.

The issue is really one of good faith with the Congressional committees (mainly Senate Finance and House Ways and Means) with which we have worked so long and so closely on this bill. We have discussed every implementation issue with them and put every question to a vote. Both the Executive Branch and the Congress are generally pleased with the results. A balance has been achieved, and it is critically important that nothing be done to destroy that balance. Provided we do not change their recommendations, they will work to get it through the Congress--and they are the only ones that can get it through. It will take a committed Long, Ribicoff and Vanik to push it through for a favorable vote by August. Ribicoff has told me he has to have the deferral to support the bill and he is serious. The opposition of the chairman of the Senate Subcommittee on Trade we can do without; his active support we must have.

This favorable atmosphere would be poisoned if we rejected the Congressional recommendation on the liquor tax--the issue they spent the most time on and took the most heat from their constituents. The satisfaction of the Members of Congress with the process to date, and their concerns that their recommendations not be disregarded, are highlighted in the attached letter to you signed by every member of the Senate Finance and House Ways and Means Committees.

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for Preservation Purposes**

While the damage caused by rejecting the liquor tax deferral is serious, we can limit the precedent aspect for tax policy, the issue raised by Jim McIntyre's memo. The two tax committees recognized the unique aspects of the liquor tax issue. In the first place, importers now pay their taxes later than domestic distillers. This is because importers can stock goods tax free in all their wholesale markets in bonded warehouses at the ports. But a domestic distiller can stock without paying tax only the bonded warehouse next to his distillery. When he moves his goods to a wholesale market, he has to pay the tax. The Congress intended the 15-day deferral to end this inequity.

The second unique aspect of the liquor tax is that in the MTN we reduced this tax only on imports by changing the assessment method (abolition of the wine-gallon method of assessment). This gives importers a \$103 million tax break. The 15-day deferral for domestic producers offsets this. For these reasons, the deferral of the liquor tax and not other taxes can be defended--and the two committees that write tax law understand this and acted accordingly and the legislative intent will so indicate.

Indeed, in my opinion we have an opportunity here to advance Jim McIntyre's cash management objectives by obtaining a commitment from the Committee, possibly in report language, that this instance of deferral is to be the only instance and is not a precedent for others.

do  
this  
o/k

I therefore urge that we agree to the Congress's wish that we include a 15-day deferral of the liquor tax. If you have any question, I need to talk with you -- at least by phone beforehand.

I have discussed this with Blumenthal personally, who agrees with me, as do most, if not all other agencies of the Government.

**Electrostatic Copy Made  
for Preservation Purposes**

ID 792551

THE WHITE HOUSE

WASHINGTON

DATE: 07 JUN 79

FOR ACTION: SECRETARY BLUMENTHAL

AMBASSADOR STRAUSS

STU EIZENSTAT

FRANK MOORE (LES FRANCIS)

CHARLIE SCHULTZE

*3395*  
*5114*  
*attached*

*attached*

*g. usky*

*attached*

INFO ONLY: THE VICE PRESIDENT

JACK WATSON

ANNE WEXLER

SUBJECT: MCINTYRE MEMO RE LIQUOR TAX DEFERRALS AND THE MTN

+++++  
+ RESPONSE DUE TO RICK HUTCHESON STAFF SECRETARY (456-7052) +  
+ BY: 1200 PM SATURDAY 09 JUN 79 +  
+++++

ACTION REQUESTED: YOUR COMMENTS

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

PLEASE NOTE OTHER COMMENTS BELOW:

ID 792551

THE WHITE HOUSE

WASHINGTON

DATE: 07 JUN 79

FOR ACTION: SECRETARY BLUMENTHAL

AMBASSADOR STRAUSS

STU EIZENSTAT

FRANK MOORE (LES FRANCIS)

CHARLIE SCHULTZE

INFO ONLY: THE VICE PRESIDENT

JACK WATSON

ANNE WEXLER

SUBJECT: MCINTYRE MEMO RE LIQUOR TAX DEFERRALS AND THE MTN

*FM ✓  
SL ✓  
HL ✓  
Becker ✓*

+++++

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

+ BY: 1200 PM SATURDAY 09 JUN 79 +

+++++

ACTION REQUESTED: YOUR COMMENTS

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

PLEASE NOTE OTHER COMMENTS BELOW:

The issue is key to several other considerations of Members of the Ways and Means Committee, particularly Bill Cotter. This is a minimum requirement for his continued civility on WPT, HCC, etc. I think you should go along with the clear will of the Senate Committee and the strong views of the successful House Members.

THE SPECIAL REPRESENTATIVE FOR  
TRADE NEGOTIATIONS  
WASHINGTON

JUN 11 1979

MEMORANDUM TO: Rick Hutcheson   
FROM: Robert S. Strauss  
SUBJECT: Attached Memorandum to the President

Attached is a memorandum to the President in support of a 15-day deferral of the collection of excise taxes on distilled spirits. OMB has prepared a memorandum in opposition. It is important that this issue be resolved so that we can conclude our preparation of the legislation implementing the MTN.

Attachment

OFFICE OF THE SPECIAL REPRESENTATIVE  
FOR TRADE NEGOTIATIONS

WASHINGTON

6/11/79

MEMO TO: Rick Hutcheson

FROM: Richard Rivers  
General Counsel

Attached letter to the President from several Members of Congress should have been attached to the Memorandum for the President from Bob Strauss Re: Liquor Tax Deferral in the MTN Bill, dated June 11, 1979.

Bill

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RUSSELL B. LONG, LA., CHAIRMAN

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## United States Senate

COMMITTEE ON FINANCE  
WASHINGTON, D.C. 20510

MICHAEL STERN, STAFF DIRECTOR  
ROBERT E. LIGHTHIZER, CHIEF MINORITY COUNSEL

June 6, 1979

The Honorable Jimmy Carter  
President of the United States  
The White House  
Washington, D. C. 20500

Dear Mr. President:

We are writing to express our appreciation for the cooperation and goodwill of Ambassador Strauss, his staff and others within the Administration in working to develop acceptable MTN implementing legislation.

The Trade Act of 1974 requires that Congress and the Administration confer on the provisions of the implementing bill before its submission. As you know, once the implementing legislation is formally introduced, it cannot be amended. It is because of this unique procedure that over the past few months we have taken care to develop a detailed understanding with your representatives as to what this legislation will provide when it is ultimately sent to Congress.

The process of examining the issues is now completed. Although significant concessions were made by all parties, it is our belief that the understandings reached between the Administration and the Congress, as reflected in the draft bill of the Special Representative for Trade Negotiations of June 1, 1979, both implement the requirements of the codes that have been negotiated and, consistent therewith, respond to legitimate concerns of domestic interests.

The Honorable Jimmy Carter  
President of the United States  
June 6, 1979  
Page 2

We expect the understandings reached during our consultations will be incorporated in the implementing bill submitted to the Congress. To submit an unamendable bill that does not reflect these understandings would cause us serious concern, reopen difficult issues, and jeopardize support for the MTN.

Sincerely,

*Franklin D. Roosevelt*  
*Paul D. Zimmerman*  
*Joseph L. Fisher*  
*Ed Jones*  
*William R. Cottey*  
~~*[Signature]*~~  
*Ken Holland*  
*W. Susan Brown*  
*Jim Martin*  
*L. A. Befeler*  
*Ann Sawyer*  
*Barbara Corable*  
*Jim Cannon*  
*Alan Keli*  
*[Signature]*  
*John Chyee*  
*[Signature]*  
*Glenn King*  
*Malcolm Wells*  
*[Signature]*  
*Phil Crane*  
*Jack H. Hattaway*  
*Max Baucus*  
*Frank J. Guarini*  
*[Signature]*

Ben Bradly

Bob Packwood

Floyd Bentsen

Henry F. Brown

Frank Johnson

Al Wilson

Ray Zinsmeister

David Boren