

**3/18/80 [1]**

Folder Citation: Collection: Office of Staff Secretary; Series: Presidential Files; Folder: 3/18/80 [1]; Container 154

To See Complete Finding Aid:

[http://www.jimmycarterlibrary.gov/library/findingaids/Staff\\_Secretary.pdf](http://www.jimmycarterlibrary.gov/library/findingaids/Staff_Secretary.pdf)

WITHDRAWAL SHEET (PRESIDENTIAL LIBRARIES)

FORM OF DOCUMENT	CORRESPONDENTS OR TITLE	DATE	RESTRICTION
memo w/att	Zbigniew Brzezinski to the President. Re: Meeting with Mayor of Berlin Dietrich Stobbe. (2 pp.)	no date	A

FILE LOCATION

Carter Presidential Papers- Staff Offices, Office of Staff Sec.-  
Pres. Handwriting File, "3/18/80 [1]." Box 176

RESTRICTION CODES

- (A) Closed by Executive Order 12356 governing access to national security information.
- (B) Closed by statute or by the agency which originated the document.
- (C) Closed in accordance with restrictions contained in the donor's deed of gift.



THE SECRETARY OF THE TREASURY

WASHINGTON

MEMORANDUM FOR THE PRESIDENT

The Administration's Steel Policy

The Administration's new decisions on steel policy will be widely publicized and scrutinized. Selection of a steel policy must therefore give heavy weight to the implications of the various policy alternatives for the Administration's commitment to fight inflation.

This Administration has already given substantial aid to the U.S. steel industry. Any policy which provides, or is perceived to provide, new or increased protection to the industry will be strongly criticized as being inconsistent with the Administration's anti-inflation campaign. Such a reaction could seriously undermine that program.

Continuation of the Trigger Price Mechanism (TPM), after the filing of antidumping petitions by the U.S. Steel Corporation, or the subsequent negotiation of quantitative limitations on U.S. steel imports, are policies which would be perceived as inflationary and thus inconsistent with the Administration's commitment to combat inflation.

Your chief economic advisors believe that these policies would be more inflationary, particularly over the long run, than the processing of steel antidumping petitions (whether two or a larger number):

-- In the first place, it is not clear that the petitions and particularly the steel industry allegations of injury\* would be upheld. Industry conditions are not deteriorating as predicted. Imports from the EC are declining and are expected to decline further in 1980. If the petitions don't support the industry's allegations of injury and are thrown out, their effect on trade will be small and short-lived.

-- By contrast, if we make concessions (allowing simultaneous operation of the TPM and antidumping investigations) to an industry where imports are thus declining, it will be extremely difficult to resist protectionist pleas from other industries, and the effect will be long lasting.

---

\* The industry has assiduously avoided being subjected to an injury determination under U.S. law. The willingness of U.S. Steel to defer the filing of antidumping petitions in the expectation that an alternative solution will be reached signals its continued reticence to be subjected to an injury test.

-- Using the period of TPM maintenance, as suggested by Commerce and USTR, to negotiate further voluntary export restraints would have inflationary effects that would far out-weigh the inflationary impact of suspending TPM. This would be true even if the petitions are successful, since successful new antidumping duties would not give the U.S. steel industry carte blanche to increase its prices.

Suspension of the TPM along with the filing of additional antidumping petitions against EC steel producers will strain U.S.-EC relations. They may even lead to EC retaliation against U.S. trade, although our own restraint in the face of recent aggressive EC trade actions (limits on our textile exports, new subsidies for their poultry and ham exports) plus the overriding importance of Allied solidarity in the present crisis should temper somewhat the European response. Claims that these actions will start a U.S.-EC trade war and jeopardize joint U.S.-EC political and economic efforts about Iran and Afghanistan are clearly exaggerated. Present implicit EC threats are intended more to influence your decision than to forecast what will actually happen.

You have received two joint memoranda from the Commerce Department and USTR suggesting alternately a twenty-day delay and a ninety-day delay in making a decision on suspension of the Trigger Price Mechanism. The recommendation to delay a decision for twenty days does not differ materially, in terms of the pros and cons, from the recommendation to delay for ninety days. It would not afford enough time to negotiate new arrangements with the EC, even if that were desirable, or to soften EC reactions. Davignon was clear that he was seeking a delay until June 1.

The delay would, however, continue to intensify present divisions on this issue within the U.S. Government. These divisions are becoming increasingly apparent to foreign countries and to interested Americans -- giving an impression of executive branch delay and indecisiveness. An article which appeared in Thursday's Journal of Commerce states that, "... President Carter and his top aides are constructing a new kind of steel trade barrier - indecision."

A delay will also heighten the industry's and foreign countries' expectations that the TPM will not be suspended, and will thus magnify the impact of a suspension when it occurs.

It is also not clear that a 90-day delay would produce an acceptable result. Davignon made no commitment to correct all dumping margins much less correct dumping as defined by U.S. law. The EC will study, without commitment, the petitions and make only those corrections that they determine are possible.

A further delay will also bring increased pressures from the EC. The European Council (heads of government) is meeting at the end of this month. If we have not adopted a firm stance before then, they will almost certainly be moved to try to influence our actions by making threats of retaliatory actions against TPM suspension -- from which they will find it extremely difficult to retreat.

I therefore urge you to suspend the TPM if and when the two U.S. Steel petitions are filed, to announce at that time that the TPM will be reinstated if the cases are withdrawn, and to instruct all Administration officials to avoid seeking any further restrictions on steel trade.

Charles Schultze, Henry Owen, and Jim McIntyre join me in these positions.

A handwritten signature in black ink, appearing to read "Bill", written over the printed name "G. William Miller".

G. William Miller

THE CHAIRMAN OF THE  
COUNCIL OF ECONOMIC ADVISERS  
WASHINGTON

March 17, 1980

MEMORANDUM FOR THE PRESIDENT

From: Charlie Schultze <sup>CLS</sup>  
Subject: Steel TPM -- An Emergency

The Administration's failure to announce its decision regarding maintenance or suspension of TPM has created uncertainty which is discouraging needed steel exports to this country. This uncertainty needs urgently to be resolved, if the inflationary effects of a drying up of our steel imports are to be avoided.

As you know from the package that Bill Miller sent you last Friday, I believe that the right course is to suspend TPM. Any other decision would be seen as inflationary -- thus eroding some of the gains secured from announcement of your new economic program. We would have sent the wrong signal to the critical labor negotiations. We would be criticized for inconsistency and for yielding to pro-inflation domestic pressures.

I see no advantage in the three week postponement of your decision that STR proposes. Indeed, this might be the worst of both worlds. Publication of second quarter trigger prices in the face of US Steel's two suits, would be criticized as inflationary, while the fact that a decision on TPM suspension was still only 21 days away would maintain the uncertainty that now discourages steel trade.

The effectiveness of our anti-inflation program hinges, in the end, on people believing that we will stick to it. The steel TPM is our first test.



DEPUTY UNITED STATES TRADE REPRESENTATIVE  
EXECUTIVE OFFICE OF THE PRESIDENT  
WASHINGTON, D.C. 20506  
202-395-5114

March 13, 1980

MEMORANDUM FOR THE PRESIDENT

FROM: SECRETARY PHILIP M. KLUTZNICK *PK*  
AMBASSADOR REUBIN O'D. ASKEW *RA*

SUBJECT: What to do with the TPM

You asked us to report to you on our consultations with Commissioner Davignon, whom Roy Jenkins sent over following his letter to you of last Friday. You also said that inflationary considerations would weigh heavily in your decision on the TPM.

In the discussions with Davignon, we emphasized, in particular, your strong feeling of responsibility for enforcement of the anti-dumping laws. He, in turn, stressed that he understood completely the need to correct dumping where it occurred. If he were given a period of time to assess the dumping margins contained in the U.S. Steel cases, he was willing to try to correct dumping where the margins and volume involved were large; he could not, of course, make any definitive comment absent a closer analysis of the cases.

Davignon stressed that keeping TPM in place for a time (90 days) would permit him to make the analysis necessary and take appropriate action. He would also be able to resist pressures (which he argued would spring from immediate suspension of the TPM) for counter measures against such U.S. exports as soy and textiles. He would be able to do this because he could point to the limited nature of the filings. If, on the other hand the TPM were suspended, it would result in U.S. Steel filing its other suits along with other companies, and would be perceived in Europe as a wholesale attack by the U.S. on European steel exports and the ability to resist such pressures and maintain a reasonable dialogue with the U.S. would be almost impossible. It would also damage our efforts to secure European cooperation in Iran and Afghanistan.

For the above reasons we believe that maintaining the TPM in order to give time to the Europeans to correct whatever dumping exists would be both consistent with your responsibilities under the law and avoid trade difficulties which

would harm the two largest sectors of American exports -- agriculture and high technology products. Because the filings cover only 15 percent of U.S. imports, holding the TPM would not be a violation of your commitment to suspend the TPM if large scale dumping cases against the EC and Japan were filed.

We further believe, and our analysis and discussions subsequent to our meeting with you confirm this, that retaining the TPM is likely to be less inflationary than dropping it. This conclusion is based on the following judgement:

- If we drop TPM, U.S. Steel may file its additional cases and other firms are likely to follow suit, so that as much as 70 percent (\$5 billion) of our imports will be covered by anti-dumping suits rather than only 15 percent (from Germany and France).
- We may get some price cutting and increase in imports when the TPM is suspended as foreign exporters try to get into the U.S. in anticipation of anti-dumping action. But starting in June and July, as more cases are filed, imports will begin to dry up. This will happen even before an injury determination by the ITC. This sequence of events will mean that less steel is likely to come to the American market than if the TPM were retained while the present two cases are being processed.
- The large scale filings, enormous uncertainty about the outcome and the consequent chilling of imports will mean less foreign competition in the domestic steel market. This, in turn, will allow steel producers to increase prices (which is why they are filing the cases in the first place). This is unlikely to discourage the union during the wage negotiations and may, in fact, have the opposite effect.

We very much appreciate Charlie Schultze's concern about a negotiated settlement being inflationary. We would therefore propose, in order to put this concern to rest, a negotiating scenario, the objective of which would be:

- To produce less inflation than would likely result from the anti-dumping process.
- To avoid restrictions that would impede needed adjustment in the U.S. and the EC.

During the coming weeks, assuming the TPM were retained, the U.S. Government would develop a prompt analysis of the dumping margins against individual products shipped by France and Germany together with a preliminary assessment of what would be necessary to correct the dumping in those product areas.

- The EC and the U.S. would engage in consultations which would focus on this analysis.
- The EC could, on the basis of its analysis, consider ways of correcting the dumping.

If this process were proceeding satisfactorily, the TPM would be retained. If other cases were filed, the TPM would be suspended. If the U.S. felt that the process were not proceeding satisfactorily, it would give the EC prior notice before any decision to suspend the TPM were made.

If we cannot persuade U.S. Steel to withdraw its two cases in the context of this kind of process, we would simply let the cases proceed along their legal course while using the threat of a suspension of TPM to deter others from filing cases and to persuade U.S. Steel not to file additional cases. If the additional cases are filed by U.S. Steel and other companies file significant cases, we would suspend TPM.

We strongly believe that retaining the TPM is likely to be less inflationary than removing the TPM with all that flows from that and is unquestionably in our trade and foreign policy interests.

THE WHITE HOUSE

WASHINGTON

March 17, 1980

MEMORANDUM FOR THE PRESIDENT

FROM : AL MCDONALD *AM*

SUBJECT: Extension of TPM

This is to add my voice to those officials in your Administration directly responsible for trade affairs, all of whom advocate an extension of the TPM for 90 days. Here are my major reasons:

1. The argument that abolition of the TPM would be an anti-inflation move may have some theoretical merit but pragmatically it is highly dubious. U.S. Steel is betting the other way with its suits, and Dick Cooper, one of the most respected economists in your Administration and the country, disagrees with this hypothesis.
2. Our negotiators (particularly Klutznick) have won a victory by narrowing the field to permit the status quo to continue. Although some officials not conducting the negotiations think they could have avoided all suits, in my view Klutznick has been successful by permitting the industry to remain stable rather than opening up an explosive situation in which no one knows for sure what will happen or how they could get it back under control. One can even argue that justice will be served by the filing of the two suits to test the validity of both the TPM and industry allegations of continued dumping. This is a fairer result than an extreme negotiations victory with all suits withdrawn.
3. As a result of Klutznick persuading the industry to move from their intent to file 12 suits down to two suits, the EEC has also shifted its position from opposition to acceptance. Responsibility for maintaining the status quo has thus shifted from the steel industry (whose limited actions the EEC says it can manage) to the U.S. Government (whose possible action to drop TPM the EEC views with alarm).

4. By extending the TPM, nothing in fact changes in the area of steel trade from the situation over the past year. Rather than moving into a period of great uncertainty, a stable and accepted situation can proceed with little risk during an orderly review of dumping rights under our law.
5. By dropping TPM at this point, we can expect heavy negative reaction from the EEC member states and domestically from Pennsylvania, Ohio and Indiana, in which the Administration will be blamed for triggering layoffs and plant closures. The criticisms will become particularly heavy if we are moving toward a recession in the coming months.
6. Finally, based on my two years as your Chief Trade Negotiator in Geneva, during which time I had continuing contact with the Congress and the advisory groups, I believe our country has a sharp protectionist bias. Only when we were able to neutralize the steel, textile and chemical industries were we assured of moving toward the legislative victory you obtained with the Tokyo Round results. Should the EEC move against Soya, we could shortly face in Congress a negative coalition between the above three Caucuses plus Agriculture which could produce some highly detrimental actions contrary to our anti-inflation needs and our export aims.

Therefore, I believe that pragmatism and continued stability argue for the extension of TPM at least until the two pending suits are resolved or an outbreak of new suits makes TPM irrelevant.





March 12, 1980

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Publication of Steel Trigger Prices

I have given much thought to the discussions we have had with you on the steel issue. I continue to believe strongly that if maintaining TPM, at least temporarily, will limit the number of steel antidumping petitions filed, TPM should be maintained, at least on a tentative basis.

- o If antidumping petitions are filed against only two countries, the amount of trade impaired will be held to a minimum, there will be opportunity for substitution of steel from other foreign sources, and as a consequence the inflationary impact will be minimized. On the basis of our consultations with Commissioner Davignon (whom Roy Jenkins sent over, following his letter to you) Reubin Askew and I believe we can work out an approach with the Europeans which corrects whatever dumping is occurring in the U.S. market.
- o On the other hand, if the TPM is suspended and, as a result, the steel industry files sweeping complaints, the very strict nature of our antidumping laws will cause steel imports to dry up in a short time. This will have a direct and significant inflationary impact. It will put enormous strain on our political relations with Europe and our ability to manage an open international trading system. And, as Commissioner Davignon made clear during his visit this week, it is likely to open the way for protectionist measures in Europe which would reduce our \$3 billion in annual soybean exports to Europe and impair our healthy exports of textiles.

I recognize that the issues are complex and that your advisers do not unanimously agree with me on the implications of the course I advocate. The complexity of the issues, the highly-charged nature of the present environment, and the need for measured action on your part combine to suggest that it is in our best interest to defer what may well be the single most important trade decision of your Presidency.

The action I propose to take in regard to trigger prices would defer the need for immediate decision on the future of the TPM in the event only two antidumping cases are filed.

Trigger prices for the second quarter of 1980 should have been released a month ago. The second quarter begins April 1. In announcing the TPM program, the Administration said it would give between 45-60 days advance notice of quarterly trigger prices. We delayed announcement because of the industry's threat to file antidumping petitions. But steel imports are now being impaired by the absence of any announcement of the trigger price that will apply to shipments coming in after April 1. Orders for Japanese steel have, for example, virtually halted.

I propose that I announce second quarter trigger prices -- to continue at first quarter levels -- before the end of the week. My announcement should precede any filing of dumping petitions. If petitions are then filed, we have 20 days under the law to determine whether they provide a sufficient basis for initiating investigations. Only upon such a determination are the petitions "accepted".

These 20 days could be used to our benefit. The economic, trade and political implications of any decision on TPM could be carefully assessed. This time would also provide us a better opportunity to consult not only with the Europeans but also with the Japanese before we radically change the rules of the game under which they have, at our request, been operating during the past two years.

The decision to defer would not, of course, commit us one way or the other on maintaining TPM. The final decision to suspend or maintain TPM, under this proposal, would then be made in light of a full analysis of the petitions and the implications of suspending/maintaining TPM. It could be made at the end of the 20 days or at any later time in the investigation, when we will know more about the seriousness of the cases and their impact on the market.

It is of the utmost importance to our foreign trade relations, and to the steel industries in the U.S. and abroad, that some action be taken by the end of this week. Unless you indicate some other course of action is more appropriate, I propose to act as suggested above. This action would not change anything, and would leave all the options open for you to take such future action as you consider appropriate.

Mr. Askew concurs with the above comments and proposed course of action.

  
Secretary of Commerce

LONDON BUTLER COMMENT

THE WHITE HOUSE

WASHINGTON

March 17, 1980

MEMORANDUM TO THE PRESIDENT

FROM: LONDON BUTLER

SUBJECT: ADMINISTRATION STEEL POLICY

The proponents of both choices under consideration are claiming that their particular option would be the best vis-a-vis the current steel wage negotiations. The proponents of Option A believe that dropping the TPM will strengthen the resolve of management at the bargaining table; the proponents of Options B and C believe that retaining the TPM will provide the Administration with bargaining leverage over the eventual outcome of the negotiations.

Whether you choose Option A, B, or C, I feel strongly that the Administration should remain absolutely silent on the relationship between the TPM and the steel wage negotiations. Management has precipitated this situation by insisting on filing anti-dumping suits: if management's action results in suspension of the TPM and, therefore, in downward pressure on the wage negotiations, we should not allow management to shift the blame to the Administration by claiming that the Administration is interfering in collective bargaining.

I don't think either choice, per se, will have a significant adverse impact on our relations with the Steelworkers and organized labor; in my opinion, we will hurt ourselves with labor only if we cite the wage negotiations as one of the reasons for your TPM decision.

Whether you choose Option A, B, or C, I recommend that you instruct your economic advisers to remain strictly silent on the question of the steel negotiations. Careless background comments to the press will damage our relations with the Pay Board and with Steelworkers in Pennsylvania, New York, Ohio, and Indiana.

There is a second, and lesser, consideration. Our program of reducing our dependence on foreign oil while, at the same time, fighting inflation with fiscal policy, is producing in the labor movement a strong resurgence of "Buy American" feeling. Labor leaders who are frustrated

THE WHITE HOUSE  
WASHINGTON

18 Mar 80

Secretary Miller

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

Rick Hutcheson

cc: The Vice President  
Secretary Klutznick  
Stu Eizenstat  
Jim McIntyre  
Al McDonald  
Zbig Brzezinski  
Charlie Schultze  
Ruebin Askew  
Al Kahn



# CABINET ECONOMIC POLICY GROUP

DEPARTMENT OF THE TREASURY

WASHINGTON, D.C. 20220

March 14, 1980

9  
/

## MEMORANDUM FOR THE PRESIDENT

Subject: Administration Steel Policy

Consultations with EC Commissioner Davignon produced the following:

- that protectionist pressures in the EC are likely to become more unmanageable if the TPM is suspended and if U.S. steel firms other than the U.S. Steel Corporation file antidumping petitions; and
- that if the TPM were kept in place and if other firms did not file petitions against EC steel producers, he would review without commitment the U.S. Steel petitions to determine what EC actions, if any, were needed to correct dumping where there are large margins and trade volumes.

Since U.S. Steel continues to threaten imminent submission of anti-dumping petitions, I recommend that you make a decision clarifying the Administration's policy on the TPM as soon as possible. Papers outlining the arguments for each option --- suspending the TPM (Tab A), maintaining the TPM (Tab B), delaying a decision on TPM until 20 days after the cases are filed (Tab C) -- are attached.

The options are:

1. Suspend TPM if and when the two U.S. Steel petitions are filed and announce at that time that the TPM will be reinstated if the cases are withdrawn. In addition, instruct all Administration officials to avoid seeking any further restrictions on steel trade.\* This would not preclude announcement of second quarter trigger prices if the petitions are delayed. Supported by Treasury, CEA, NSC, Kahn and the OMB. These agencies oppose both options 2 and 3 on identical grounds.

\* This would not preclude attempts to negotiate an elimination of the dumping margins and thus withdrawal of the suits.

In our opinion they are not distinct options since they will produce the same results.

Approve \_\_\_\_\_ ✓

Disapprove \_\_\_\_\_

2. Maintain the TPM for 90 days if U.S. Steel limits its petitions to a maximum of two countries, to allow time to seek a negotiated solution that is satisfactory. Supported by State, Labor, Agriculture, Commerce, USTR, DPS, and the Vice President.

Approve \_\_\_\_\_

Disapprove \_\_\_\_\_ ✓

3. Announce second quarter trigger price (at the same level as first quarter) and postpone making a decision on the suspension of the TPM until 20 days after the petitions have been filed. Use the 20 day period to evaluate the petitions for sufficiency and to consult with our European trading partners. Supported by Commerce and USTR if you reject option 2.

Approve \_\_\_\_\_

Disapprove \_\_\_\_\_ ✓

  
G. William Miller

11:50 AM

COURTESY CALL  
BY THE WINNERS OF THE  
1980 WHITE HOUSE NEWS PHOTOGRAPHERS ASSOCIATION  
ANNUAL CONTEST

Tuesday, March 18, 1980

11:50 am

The Oval Office

From: Jody Powell

I. PURPOSE

To congratulate and be photographed with this year's winners of the White House News Photographers Association contest. The association includes both men and women, who are eligible in both the still photography and television camera categories.

The association will publish a booklet with the winning photographs, and the photograph with you. The booklet will be distributed at the association's annual dinner on May 8.

II. PARTICIPANTS AND PRESS PLAN

A. Participants: There are 15 individual winners in this year's contest. Four of the winners are travelling and will be unable to attend.

A list of those greeting you is attached.

B. Press Plan: White House photographer

III. AGENDA

You should greet each of the winners individually as he enters the Oval Office. An individual picture will be taken as you shake each winner's hand.

A group picture will then be taken by the White House photographer.

WINNERS OF 1980 WHITE HOUSE PHOTOGRAPHERS  
ASSOCIATION PHOTOGRAPHY CONTEST

Television Camera Division

Don Smith	WRC	Spot News
George Fridrich	NBC	General News
Paul Fine	WJLA	Personality
George Fridrich	NBC	Feature
George Fridrich	NBC	Day Feature
Paul Fine	NBC	Documentary
Johnie Roth	WRC	Outstanding Sound
Holly Fine	WJLA	Outstanding Editing
George Fridrich	NBC	Photographer of the Year

Still Photography Division

James Thresher	Washington Post	Black/white picture story
Darryl Heikes	UPI	Black/white pictorial
Ira Schwarz	AP	News
John McDonnell	Washington Post	Black/white personality
James Thresher	Washington Post	Black/white feature
Joe Scherschel	National Geographic	Color feature
W. E. Garrett	National Geographic	Color picture story
James Thresher	Washington Post	Photographer of the Year
Dennis Brach	Black Star	Presidential

THE CHAIRMAN OF THE  
COUNCIL OF ECONOMIC ADVISERS  
WASHINGTON

March 17, 1980

EYES ONLY

MEMORANDUM FOR THE PRESIDENT

FROM: Charlie Schultze *CLS 2/4/80*

Subject: Housing Starts and Personal Income in February  
Real GNP in the First Quarter

Figures will be released tomorrow (Tuesday, March 18) on housing starts (2:30 P.M.) and personal income (11:00 A.M.). On Wednesday, March 19, the Commerce Department will circulate within government its first, and very preliminary, estimate of first quarter GNP. Revised estimates for the fourth quarter of last year will be published at 11:00 A.M. Wednesday.

Housing Starts

Housing starts declined 6.3 percent in February, to an annual rate of 1.334 million units. Residential building permits declined by 8.0 percent.

The permits data, which are a more reliable series, indicate declines in both single and multi-family units. For new housing starts, on the other hand, a huge increase (34 percent) occurred for multi-family units, while single-family starts fell 23 percent. This is probably a statistical aberration.

These starts figures do not reflect the latest round of increases in mortgage interest rates, which began in late February. Anecdotal evidence suggests that housing activity is being hit very hard all over the country. This fact may not become apparent until the April figures on housing starts are available -- around mid May.

Personal Income

Personal income in February increased 0.3 percent, compared with 0.8 percent in January. The slowdown, however, principally reflects the fact that special energy assistance payments to the poor began in January and inflated the gain in personal income that month.

Taking the two months together, the rise in both total personal income and the wage and salary component averaged

0.6 percent per month. This is one-half percentage point less than the average monthly rise in the fourth quarter, and it is far below the monthly rate of increase in consumer prices. The squeeze on consumers real income is thus intensifying greatly, both because increases in personal incomes are dwindling and because inflation is accelerating.

## Real GNP

The Commerce Department now estimates that real GNP will increase about 2 percent at an annual rate in the first quarter. This is a very preliminary estimate that will never be released publicly.

The revised fourth quarter figure shows an increase of 2.0 percent; that is changed very little from the earlier estimate.

While the fourth and first quarter growth rates are about equal, the composition of growth is significantly different. Growth of personal consumption expenditures slowed substantially in the first quarter, as the personal saving rate remained about unchanged. The rate of inventory investment, which had fallen sharply in the fourth quarter, changed little this quarter.

The GNP figures thus do not indicate any slowing in the economy early this year. Monthly data on personal income, housing starts, and aggregate hours worked, on the other hand, indicate that some weakening is underway. This will show up in next quarter's GNP statistics.

The GNP price statistics for this quarter will reflect the substantial worsening of inflation recorded in wholesale and consumer price indexes. The Commerce Department's fixed-weight index for consumer expenditures is estimated to have risen about 14 percent at an annual rate this quarter, compared with 10-1/2 percent in the fourth quarter of 1979. This index, moreover, is not affected by rapidly rising mortgage interest rates.

THE WHITE HOUSE

WASHINGTON

March 17, 1980

Q  
1

MEMORANDUM FOR THE PRESIDENT

FROM: FRANK MOORE   
SUBJECT: INVITATION FROM CONGRESSMAN IRELAND FOR  
THE FIRST FAMILY TO ATTEND CIRCUS NIGHT

Per your request, attached is a copy of Congressman Andy Ireland's letter inviting you and your family to his third annual "Night at the Circus" fundraiser, March 27.

The original incoming letter was forwarded to Fran Voorde for appropriate handling.

Attachment

cc: Rick Hutcheson



HOUSE OF REPRESENTATIVES  
WASHINGTON, D. C. 20515

ANDY IRELAND  
EIGHTH DISTRICT  
FLORIDA

March 11, 1980

FV 3-13/SC01  
CONGRESSIONAL  
LIAISON

President Jimmy Carter  
The White House  
Washington, D.C. 20500

MAR 18 1980

002081CL

Dear Mr. President:

Enclosed is the information on our annual Circus Fund Raiser. As you know, Amy has been with us for the last two years and I hope to see her again this year.

I know what your schedule is like and how busy you obviously are these days but I wanted to extend a personal invitation to you and Mrs. Carter and to anyone else you would like to bring along to join us if you can.

If you should decide to come we would not publicize or try to exploit your appearance in any way but hope that you could have an evening of fun with many friends.

I hope you can make it.

Kindest personal regards.

Sincerely,

API:om

SC01

# Andy Ireland

8th District Congressman-Florida

PROUDLY PRESENTS

## The Third Annual Night at the Circus

Thursday, March 27, 1980  
5:30 PM - D.C. Armory

Please  
R.S.V.P. on the  
enclosed card  
by  
March 17th

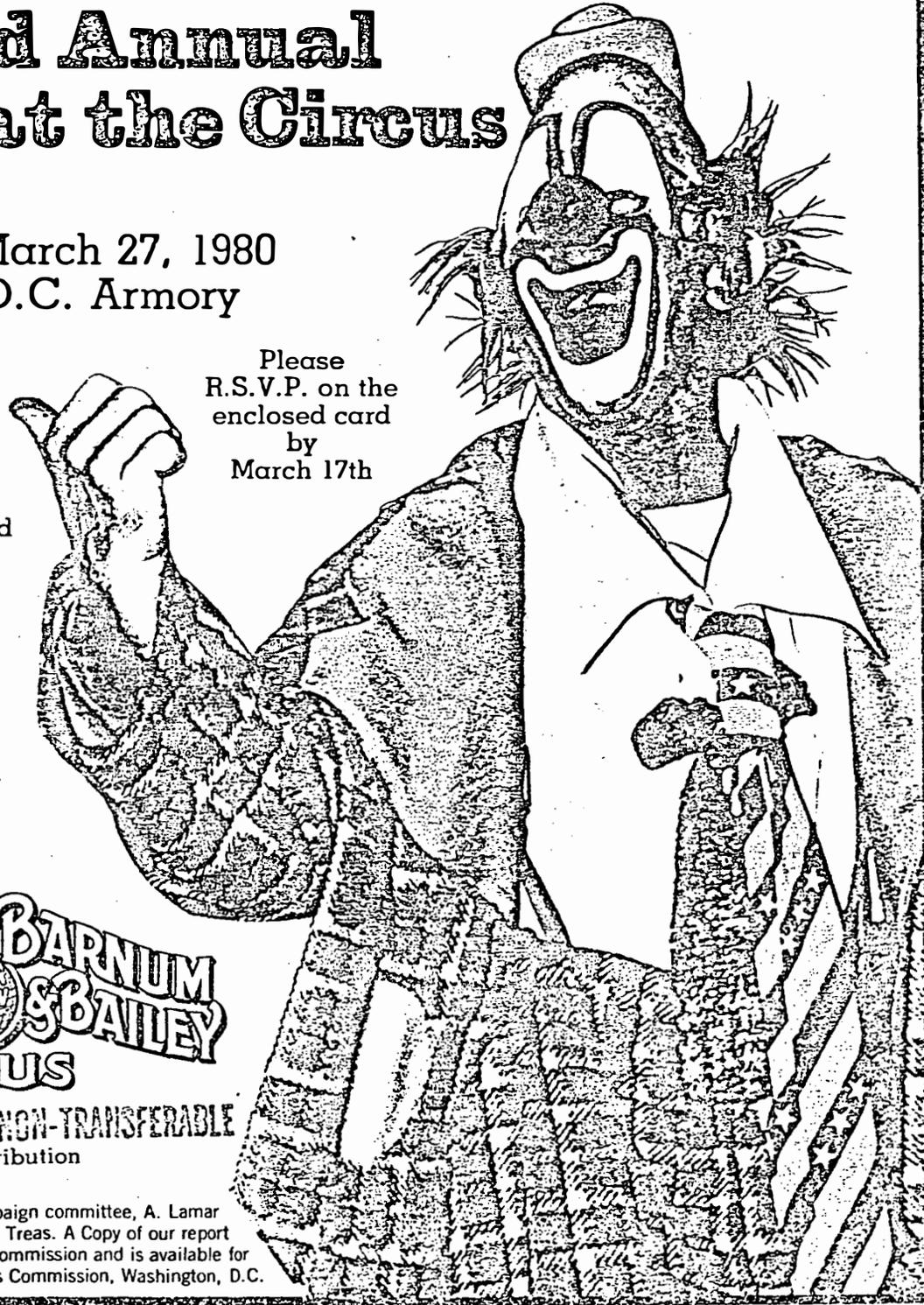
— Reception —  
Featuring fun, food and  
frolic with performers  
and clowns

— Special Seating —  
for the  
GREATEST SHOW  
ON EARTH.®

**RINGLING AND BARNUM  
BROS. SHOW BAILEY  
CIRCUS**

COMPLIMENTARY AND NON-TRANSFERABLE  
\$250.00 contribution

Paid for by the Andy Ireland campaign committee, A. Lamar  
Matthews, Jr., Chairman, G.C. Dorr, Treas. A Copy of our report  
is filed with the Federal Elections Commission and is available for  
purchase from the Federal Elections Commission, Washington, D.C.



LAW OFFICES  
CUPIT & MAXEY  
P. O. BOX 22666  
1101 PLAZA BUILDING  
JACKSON, MISSISSIPPI 39205

C

DANNY E. CUPIT  
JOHN L. MAXEY, II  
ROBERT W. SNEED

January 31, 1980

TELEPHONE:  
(601) 355-1553

The Honorable Phil Wise  
Deputy Appointments Secretary  
The White House  
Washington, D. C.

Dear Phil:

Danny asked me to send you the enclosed clipping from the Clarion-Ledger and advise you that he is now thinking of changing his allegiance.

Ask Jim Free about the joke I told him regarding Finch's selected running mate.

Sincerely yours,

*Suzanne*  
Suzanne Ainsworth

sa  
Enclosure

Mr President -  
Thought you might like to see what  
your competitor is sitting while you're sitting  
in the Rose Garden -  
Abil



**NOTHING TO HIDE** — Former Gov. Cliff Finch, hoping to make a clean sweep of the presidential primaries, takes a breather on the campaign trail by relaxing in a heart-shaped tub at the Tuscon, Ariz., home of Brig. Gen. T.A. Miller.

AP  
t  
of  
ce  
to  
Fe

THE WHITE HOUSE  
WASHINGTON

18 Mar 80

Jim McIntyre

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

Rick Hutcheson

cc: Fran Voorde  
Phil Wise

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

*Call Alice - she may want to pick up*

ADMIN CONFID
CONFIDENTIAL
SECRET
EYES ONLY

ACTION  
FYI

VICE PRESIDENT
JORDAN
CUTLER
DONOVAN
EIZENSTAT
MCDONALD
MOORE
POWELL
WATSON
WEDDINGTON
WEXLER
BRZEZINSKI
✓ MCINTYRE
SCHULTZE
ANDRUS
ASKEW
BERGLAND
BROWN
CIVILETTI
DUNCAN
GOLDSCHMIDT
HARRIS
KREPS
LANDRIEU
MARSHALL

MILLER
VANCE
BUTLER
CAMPBELL
H. CARTER
CLOUGH
CRUIKSHANK
FIRST LADY
FRANCIS
HARDEN
HERTZBERG
HUTCHESON
KAHN
LINDER
MARTIN
MILLER
MOE
PETERSON
PRESS
SANDERS
SPETH
STRAUSS
TORRES
✓ VOORDE
✓ WISE



EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET  
WASHINGTON, D.C. 20503  
March 17, 1980

*Jimmie J*

MEMORANDUM FOR THE PRESIDENT

FROM: James T. McIntyre, Jr. *Jimmie*  
SUBJECT: Final Budget Decisions

*ok (*

We have almost concluded discussions with the Cabinet and with Agency Heads. I intend to discuss our list with the Vice President, Stu, and Jack tomorrow (Tuesday). After that, I will need one meeting with you (Wednesday morning) of about an hour to give you an overall picture of where we stand and to present some final issues for decision.

I've been concerned about the media view that our delay in providing detail about the budget reductions is an effort to avoid problems during the Illinois and New York primaries.

*Publicize this*

This is not the case. It takes about 10 days - once decisions are made - to get all estimates firm and to put everything together into a revised budget. As things stand now, I will hold a press conference on March 28th to release the details, and we will publish the revised budget on March 31. Between now and then, if you agree, I will want to give the Budget Committee as much detail as I have on an informal basis.

THE WHITE HOUSE  
WASHINGTON

18 Mar 80

Jack Watson

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

Rick Hutcheson

**Gold Kist inc.** 244 Perimeter Center Parkway, N.E./P.O. Box 2210 Atlanta, Ga. 30301  
Phone (404) 393-5154

D.W. Brooks—Chairman of the Board Emeritus

March 5, 1980

*J Watson*  
*J*

Personal

President Jimmy Carter  
The White House  
Washington, D. C. 20500

Dear Mr. President:

Mr. George Steele, who is chairman of the board and president of Agway, Inc., one of the large farmer cooperatives in the Northeast, has been nominated for the Farm Credit Board from the Baltimore District.

George is a dairyman and is one of the leading farmers in the northeastern part of this country. He is a trustee of Agricultural Cooperative Development International.

I have known George for many years and have a very high personal regard for him. He is not only a great farm leader, but a very dedicated and deeply religious person. He is a member of the Society of Friends (Quakers).

When the nominations come to you, I hope that you will give very serious consideration to appointing George Steele. Actually, the Federal Board needs some strength, and I think George can add some strength that is needed at this particular time.

Everything looks good!

Sincerely,

*D.W.*

D. W. Brooks

**Electrostatic Copy Made  
for Preservation Purposes**

THE WHITE HOUSE  
WASHINGTON

Mr. President --

I think the response attached is overreacting to the actual letter signed by team members, as well as not being "presidential".

Also, we are having the individual photos calligraphied for signature.

Why not have a one-page presidential cover letter conveying signed photo, supporting olympic effort, but reconfirming your opposition to participation in Moscow Olymics (in 1 graph).....and letting the technical letter be responded to in your behalf by and over Lloyd Cutler's signature? (on Hamiltons)

(If you don't agree, we're also going to have to figure out some way to send photos which doesn't appear as a disjointed "congratulations/ I'm proud of you" separate from this other letter)

--SSC

**Electrostatic Copy Made  
for Preservation Purposes**

THE WHITE HOUSE

WASHINGTON

March 6, 1980

MEMORANDUM FOR THE PRESIDENT

FROM: LLOYD CUTLER

*Lnc*

SUBJECT: Response to Winter Olympic Team Letter

On February 24 you received a letter (attached) from members of the Winter Olympic team thanking you for the visit to the White House and urging that you afford summer athletes the same opportunity the Winter Olympic team had at Lake Placid. The letter was signed by some 61 team members, including Eric and Beth Heiden, but not by any members of the hockey team.

I have prepared the attached draft response. It has been cleared with Warren Christopher and Anne Wexler. Jody Powell has also approved the letter.

Approve \_\_\_\_\_

Disapprove \_\_\_\_\_

Tab A: Olympic Team letter

Tab B: Proposed response



WHITE HOUSE  
CORRESPONDENCE  
TRACKING

Olympic Village  
Lake Placid, New York  
February 24, 1980

*S. Butler*  
062484

The Honorable James E. Carter  
President of the United States  
The White House  
Washington, D. C.

Dear Mr. President:

The United States 1980 Winter Olympic Games team would like to express our deepest appreciation for your most thoughtful invitation to visit you at The White House.

It has been a most enjoyable gathering for those of us who have been in training. We will look back on this occasion as a truly memorable experience and will associate it with the thrills of participating in the Olympic Games.

Mr. President, we are all extremely proud of having had this opportunity to represent our great country in the Olympic Games.

In the highest Olympic traditions of creating goodwill among the youth of the world we have not only engaged in spirited, high level athletic competition, but we have also had the opportunity to meet, socialize and exchange viewpoints with athletes from 38 other countries, regardless of their ideologies. This valuable exchange, and it was as valuable to them as it was to us, has made each and every one of us better American citizens as well as more understanding of life styles in other countries. In its truest spirit it must always be remembered that the Olympic Games do not belong to a single country but to the world as a whole.

Mr. President, we urge you to use your most prestigious office to assure that our fellow athletes who have trained diligently for the Olympic Summer Games are provided the same opportunity which we have just experienced by participating in the Winter Games. We can all assure you that there is no substitute for participation in the Olympic Games. We all agree that the Olympic Games represent the highlight of our athletic careers.

Again, we say humbly to you---thank you, and we shall look to your leadership to preserve the spirit of Olympism. We understand it ourselves much better since we have been to Lake Placid.

Respectfully,

1980 WINTER OLYMPIC TEAM

1980 WINTER OLYMPIC TEAM

Cic Herten

SPEED SKATING

John R. Kee

U.S. LUGE

Mike Plant

USA SPEED SKATING TEAM

~~Tom Tostrom~~

USA Speedskating  
USA "

Mike Woods

Mary Docter

USA Speed Skating

Sarah Docter

USA Speed Skating

Jeff Davis

USA Jumping

Kent Thomey

USA Speed Skating

Michael Burt

USA

Figure Skating

Jim Battelli

USA

" "

Randy Gardner

USA

" "

Cheryl Franks

USA

figure skating

Peter Cornelius

Figure Skating

Tai Babilonia

Figure Skating

Dave Sata

"

Janis Paterson

"

Scott Hamilton

"

Mike Carrothers

"

"

Judy Kabinowitz - Nordic Skiing

Nancy Swider - Speedskating

Connie Paraskewin - Speedskating

~~Mary Swider~~ - "

Beth Heiden - "

Judy Blumberg - figure skating

Paul E. George - Manager, Figure Skating

Claire Ferguson - manager, Figure skating

Peter Schottling - Coach. Speedskating

~~Mary Swider~~ Jim Chapin - speed skating

~~Kim Kostov - speed skating~~

Frank Morsley - luger

Tom Platt - speed skating

Graig Kresler - Speed Skating

Dan Immerfall - speed skating

Joe Tyler, Capt. USA I ?  
Brent Rushlow - Bobsled 1980 WINTER OLYMPIC TEAM

Lewin Silen  
Dink Nalley } BOBSLED USA II

Jeff Hadley USA I Bobsled Team

Bob Hickey USA I Bobsled Team

Debra Lenovese USA LUGE TEAM

Susan H. Charlesworth USA luge  
Donna Burke "

John Mueller SPEED SKATING

Donna Hoffman " "

Pat Smith " "

Richard Hule USA Luge

Ray Bateman USA Luge

Jeff Post USA Bobsled

Cary Crawford USA NORDIC

Walter Malinquest " "

Kerry Lynch USA NORDIC

John J. Biden USA I Bobsled

USA Bobsled

Glenn Jobe USA Biathlon

Don Nielson USA Biathlon

PETER K. HOAG U.S. BIATHLON TEAM

Martin Hagen U.S. Biathlon (ski shooting) team

Lyle Nelson U.S. Biathlon Team

Johnny Ruge U.S. Biathlon Team

*B*

Susan  
Le. type

THE WHITE HOUSE

WASHINGTON

*I have enclosed a personal photograph  
as a memento of this exciting event.*

To

Thank you for your kind words about your visit to the White House and for your views on the Olympics.

It was a great pleasure for me to meet with the 1980 Winter Olympic team and, on behalf of the American people, to thank all of you for your magnificent efforts at Lake Placid. You thrilled the entire nation.

I can well understand that your experience at Lake Placid reaffirmed your commitment to the Olympic Games. I share that commitment and strongly support the Olympic movement.

However, I must oppose the participation of American athletes at the Olympic Games scheduled for Moscow this summer. To participate at Moscow in the face of the Soviet invasion of Afghanistan would violate the fundamental principles of the Olympic movement as to the obligations of a host nation, and undermine our efforts to deter further aggression. Secretary Vance spelled out my Administration's position in detail in his speech to the International Olympic Committee, and I am enclosing a copy of that speech.

My decision with respect to non-participation of American athletes at Moscow is firm and final. It is supported by an overwhelming vote in both the House of Representatives and the Senate, and

by a large majority of your fellow citizens. I have communicated this decision to the leaders of the United States Olympic Committee and their officers have publicly stated that the Committee would accept my decision. Many other governments have also indicated their opposition to participation in the Moscow Olympics.

As I stated when I welcomed you to the White House, I ~~share your concern for your fellow~~ <sup>am concerned for</sup> ~~athletes~~ <sup>other</sup> who have trained diligently for the Summer Olympics, and who cannot now compete for reasons beyond their control. I will do everything in my power to assure that these athletes have the opportunity to participate in alternative international games which will offer the world class competition, comradeship, and coverage we associate with the Olympics. My Administration is now consulting closely with government and sports officials throughout the world in an effort to make these alternative games a reality.

Your letter asked me to use my leadership to "preserve the spirit of Olympism." I am committed to doing just that. The spirit of the Olympics is peace and goodwill. That spirit would be dishonored if our athletes attended games in the capital of a host nation which is engaged in invading a neighbor and <sup>brutally</sup> subjugating its people.

I ~~realize that your Government and your fellow~~ citizens are asking athletes to make a sacrifice. But sacrifice is also being asked from many sectors of American life -- the farmers who will lose Soviet grain sales, the business firms and their employees who lose Soviet markets, the young men and women who serve in our armed forces, and the taxpayers who must bear the added costs of undertaking and ~~sharing~~ these burdens. Like athletic excellence, peace and freedom are not easily achieved. They take work and sacrifice, but they are worth what they cost.

7e  
(Hallen  
file)

Thank you again for writing and for your splendid efforts at Lake Placid.

*(redundant)*

Sincerely,

For your information, *also*  
P.S. I have enclosed a copy of  
the statement made by Secretary  
of State Cyrus Vance to the  
International Olympic Committee  
in Lake Placid.

THE WHITE HOUSE

WASHINGTON

March 11, 1980

To /s/

It was a great pleasure for me to meet with the 1980 Winter Olympic team and with officials of the United States Olympic Committee and, on behalf of the American people, to thank all of you for your magnificent efforts at Lake Placid. I have enclosed a personal photograph as a memento of this exciting event.

I can well understand that your experience at Lake Placid reaffirmed your commitment to the Olympic Games. I share that commitment and strongly support the Olympic movement.

I have received a letter from some members of our Olympic team asking me to use my leadership to "preserve the spirit of Olympism." I am committed to doing just that. The spirit of the Olympics is peace and goodwill. That spirit would be dishonored if our athletes attended games in the capital of a host nation which is engaged in invading a neighbor and brutally subjugating its people.

Like athletic excellence, peace and freedom are not easily achieved. They take work and sacrifice, but they are worth what they cost.

As I stated when I welcomed you to the White House, I am concerned for the athletes who have trained diligently for the Summer Olympics and who cannot now compete in Moscow, for reasons beyond their control. I will do everything in my power to assure that these athletes have the opportunity to participate in alternative international games which will offer the world class competition, comradeship, and coverage we associate with the Olympics. My Administration is now consulting closely with government and sports officials throughout the world in an effort to make these alternative games a reality.

Thank you again for your splendid efforts at Lake Placid.

Sincerely,

/s/  
///  
///

P.S. For your information, I have enclosed a copy of the statement made by Secretary of State Cyrus Vance to the International Olympic Committee in Lake Placid.

TEAM

THE WHITE HOUSE

WASHINGTON

March 11, 1980

To /s/

It was a great pleasure for me to meet with the 1980 Winter Olympic team and, on behalf of the American people, to thank all of you for your magnificent efforts at Lake Placid. You thrilled the entire Nation. I have enclosed a personal photograph as a memento of this exciting event.

I can well understand that your experience at Lake Placid reaffirmed your commitment to the Olympic Games. I share that commitment and strongly support the Olympic movement.

I have received a letter from some members of our Olympic team asking me to use my leadership to "preserve the spirit of Olympism." I am committed to doing just that. The spirit of the Olympics is peace and goodwill. That spirit would be dishonored if our athletes attended games in the capital of a host nation which is engaged in invading a neighbor and brutally subjugating its people.

Like athletic excellence, peace and freedom are not easily achieved. They take work and sacrifice, but they are worth what they cost.

As I stated when I welcomed you to the White House, I am concerned for the athletes who have trained diligently for the Summer Olympics and who cannot now compete in Moscow, for reasons beyond their control. I will do everything in my power to assure that these athletes have the opportunity to participate in alternative international games which will offer the world class competition, comradeship, and coverage we associate with the Olympics. My Administration is now consulting closely with government and sports officials throughout the world in an effort to make these alternative games a reality.

Thank you again for your splendid efforts at Lake Placid.

Sincerely,

/s/  
///  
///

P.S. For your information, I have enclosed a copy of the statement made by Secretary of State Cyrus Vance to the International Olympic Committee in Lake Placid.

THE WHITE HOUSE

WASHINGTON

March 11, 1980

To /s/

It was a great pleasure for me to meet with the 1980 Winter Olympic team and staff, and, on behalf of the American people, to thank all of you for your magnificent efforts at Lake Placid. You thrilled the entire Nation. I have enclosed a personal photograph as a memento of this exciting event.

I can well understand that your experience at Lake Placid reaffirmed your commitment to the Olympic Games. I share that commitment and strongly support the Olympic movement.

I have received a letter from some members of our Olympic team asking me to use my leadership to "preserve the spirit of Olympism." I am committed to doing just that. The spirit of the Olympics is peace and goodwill. That spirit would be dishonored if our athletes attended games in the capital of a host nation which is engaged in invading a neighbor and brutally subjugating its people.

Like athletic excellence, peace and freedom are not easily achieved. They take work and sacrifice, but they are worth what they cost.

As I stated when I welcomed you to the White House, I am concerned for the athletes who have trained diligently for the Summer Olympics and who cannot now compete in Moscow, for reasons beyond their control. I will do everything in my power to assure that these athletes have the opportunity to participate in alternative international games which will offer the world class competition, comradeship, and coverage we associate with the Olympics. My Administration is now consulting closely with government and sports officials throughout the world in an effort to make these alternative games a reality.

Thank you again for your splendid efforts at Lake Placid.

Sincerely,

/s/  
///  
///

P.S. For your information, I have enclosed a copy of the statement made by Secretary of State Cyrus Vance to the International Olympic Committee in Lake Placid.

REMARKS OF THE SECRETARY OF STATE  
BEFORE THE  
SOLEMN OPENING OF THE INTERNATIONAL OLYMPIC COMMITTEE  
82nd SESSION

LAKE PLACID, NEW YORK  
February 9, 1980

On behalf of President Carter, and as an honorary Vice President of the U.S. Olympic Committee, it is an honor to welcome this distinguished Committee to the United States and to Lake Placid, and to welcome athletes from around the world to the 1980 Winter Olympics.

As we meet here tonight, the world faces a serious threat to peace which raises an issue of fundamental importance to the Olympic movement.

From their beginnings in ancient Greece, the Olympics have symbolized some of humanity's noblest principles. Foremost among these is peace.

The modern games reflect this principle in the opening ceremonies, when doves are released to symbolize peace.

The ancient games were held in the city-state of Elis. They marked a "truce of the gods." During this truce, open warfare against or by the host city-state was forbidden.

In the view of my government, it would be a violation of this fundamental Olympic principle to conduct or attend Olympic games in a nation which is currently engaging in an aggressive war, and has refused to comply with the world community's demand to halt its aggression and withdraw its forces.

Let us be clear about the fundamental issue we face.

This is not a question of whether a national team should be barred from competing on political grounds. We welcome every team this Committee has invited to these winter games.

The question we now confront is entirely different. It is whether the games should be held in a country which is itself committing a serious breach of international peace. It is our conviction that to do so would be wholly inconsistent with the meaning of the Olympics.

It is impossible to separate this decision from its political consequences. To hold the Olympics in any nation that is warring on another is to lend the Olympic mantle to that nation's actions.

We already see the nation selected as host of the summer games describing its selection as recognition of "the correctness of its foreign political course" and its "enormous services... in the struggle for peace."

The inescapable fact is that the struggles of nations and peoples to preserve their independence -- to preserve peace now and for the future -- will be contradicted and diminished if the Olympics are held in a nation whose continuing aggression has been condemned by an overwhelming majority of the UN General Assembly.

Responsibility for this matter should not be shifted to the athletes. That would only force them to carry a burden which properly belongs to the leaders of the Olympic movement. None of us wants our athletes to suffer. But neither should we let them be exploited.

\* \* \*

Beyond the effects of this decision on efforts for international peace, we should be concerned about its consequences for the Olympic movement.

The United States deeply values the Olympic games and the principles on which they rest. We are immensely proud of our own athletes and those of other nations who have trained long and hard. We do not want to see the Olympic movement damaged.

But if the basic principles of the Olympics are ignored, the future of the games themselves will be placed in jeopardy.

Throughout the world, there is broad and growing opposition, among governments and people, to going forward with the games as planned, as if nothing has happened. To do so would imperil the broad popular interest and support upon which this and future Olympics depend.

The preferable course would be to transfer the games from Moscow to another site or multiple sites this summer. Clearly there are practical difficulties, but they could be overcome. There is also precedent for cancelling the games. Or it would be possible, with a simple change of rules, to postpone the games for a year or more.

Let me make my government's position clear: we will oppose the participation of an American team in any Olympic games in the capital of an invading nation.

This position is firm. It reflects the deep convictions of the United States Congress and the American people.

To avoid such problems in the future, we support the establishment of permanent homes for the summer and winter Olympics.

I know that this distinguished body will carefully weigh the issues now before you. By upholding the principles of the Olympics when they are under challenge, we will preserve the meaning of the Olympics for years to come.

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

*to  
Chip at  
am pc  
cc Kirlo*

ADMIN CONFID
CONFIDENTIAL
SECRET
EYES ONLY

ACTION  
FYI

	VICE PRESIDENT
	JORDAN
	CUTLER
	DONOVAN
	EIZENSTAT
	MCDONALD
	MOORE
	POWELL
	WATSON
	WEDDINGTON
	WEXLER
	BRZEZINSKI
	MCINTYRE
	SCHULTZE
	ANDRUS
	ASKEW
	BERGLAND
	BROWN
	CIVILETTI
	DUNCAN
	GOLDSCHMIDT
	HARRIS
	KREPS
	LANDRIEU
	MARSHALL

	MILLER
	VANCE
	BUTLER
	CAMPBELL
	H. CARTER
	CLOUGH
	CRUIKSHANK
	FIRST LADY
	FRANCIS
	HARDEN
	HERTZBERG
	HUTCHESON
	KAHN
	LINDER
	MARTIN
	MILLER
	MOE
	PETERSON
	PRESS
	SANDERS
	SPETH
	STRAUSS
	TORRES
	VOORDE
	WISE

Babcock International Ltd  
Cleveland House, St. James's Square, London SW1Y 4LN  
Telephone: 01-930 9766

*cc Chip -  
Check = Kirk on  
This  
J*

Sir John King  
Chairman

Sent by: Diplomatic Bag

Personal

5th March 1980

President Carter,  
The White House,  
1600 Pennsylvania Avenue,  
Washington, D.C.  
U.S.A.

*Dear Mr President*

I write to say what a great pleasure it was to me to meet you again at the White House last Wednesday.

I enjoyed the talk that we had, although, upon reflection, I fear that I talked too much.

I was particularly pleased to see you looking so well and quietly in charge of the massive problems of the day.

You did suggest that we might be able to help your Secretary of Commerce (?) concerning our export programme, and to this end, I would be pleased to meet with him and the President of our international operations, based in Washington, to tell him what we are doing from our American factories and to help him in any way that we can, from our own experiences.

You mentioned also that my son, who has moved to Charlotte, and has his own business there, might have the opportunity to meet your son. How would I arrange this? >

I look forward to another opportunity of meeting you. Should you visit this country, be sure that I am at your disposal.

I send to you and to your wife and family, my kind regards and best wishes for your continued success and leadership which you demonstrate under your important office and least but not last, your re-election when the time comes, as President of the United States.

*With best wishes*

*Yours sincerely*  
John King

*Shelling*

P. S. I had lunch today with one of your admirers, Frank Kennedy, the former British Consul General in Atlanta.

THE WHITE HOUSE  
WASHINGTON

18 Mar 80

Frank Moore

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

Rick Hutcheson

cc: The Vice President  
Hamilton Jordan  
Stu Eizenstat  
Al McDonald  
Jack Watson

THE WHITE HOUSE

WASHINGTON

March 15, 1980

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR THE PRESIDENT

FROM: FRANK MOORE

SUBJECT: Weekly Legislative Report

I. DOMESTIC POLICY ISSUES

1. Energy

Energy Security Corporation (ESC)

On Tuesday, the conferees reached agreement on Title I (synfuels). This week they will begin work on Title V (conservation) and Title IX (solar bank).

Energy Mobilization Board (EMB)

The conferees met on Thursday to consider a proposal by the House relating to the grandfather, Congressional review and streamlining provisions. The Senate conferees rejected the House offer but stated that they felt an agreement was much closer as a result of the House concessions.

It is expected that the EMB conference will again be placed on the back burner pending more progress on ESC.

Windfall Profits Tax (WPT)

The House passed the conference report last week. We are now attempting to obtain a time agreement for a final vote in the Senate this Thursday. This would give the Republicans three days for debate. We expect that, if they do not agree to vote for final passage by the end of next week we will be able to vote cloture and pass the conference report the following week.

Utility Oil Reduction

A bill is being drafted from the specifications we sent to the Hill.

Friday's "coal day" event was deemed successful by all participants.

Electrostatic Copy Made  
for Preservation Purposes

## 2. Trucking

Senate Commerce reported their bill on Tuesday. It is now unlikely the Senate will consider legislation before their Easter recess.

The House Public Works markup has not yet been scheduled but is expected before the end of the month.

## 3. Fair Housing

The Senate Judiciary Subcommittee on the Constitution is scheduled to begin markup of the Fair Housing bill on Tuesday. Republicans on the subcommittee (Hatch, Thurmond and Simpson) are likely to oppose our bill. Democrats Bayh, Metzenbaum and Heflin will support it and DeConcini is uncertain. DeConcini will offer a substitute to our enforcement section which would substantially weaken the bill.

## 4. Federal Trade Commission

The FTC Authorization conference conducted its initial meeting last week and instructed the joint staffs to draft a compromise between the House and Senate versions. The compromise package will be considered at the next meeting on March 26. Both sides expressed optimism in reaching an agreement despite strong statements by Sen. Ford and Cong. Scheuer defending their respective provisions on the legislative veto issue. The conferees have indicated that they would like some signal from us on the acceptability of the package before they present it in a public meeting. We should have a more definitive idea of the contents of a package by the end of the week.

The conference endorsed the continuing resolution for the FTC, which is expected to be on the House floor this week. The Senate has indicated that it will act promptly, but there is concern about obtaining the necessary budget waiver. Though funding technically expired on Saturday, March 15, the agency will be able to function for about ten more days.

The continuing resolution would provide funding for 45 days.

## 5. Sugar

Senate Finance Chairman Long may forego committee hearings and take the implementing legislation for the International Sugar Agreement directly to the Senate floor when he and Senator Church return to Washington this week. The measure will pass easily, but there will be a colloquy between Church and others urging

U.S. representatives at the International Sugar Organization meetings in London to press for an increase in the world target price range for sugar. The range is now 11-21 cents and they will favor a 13-23 cent range.

#### 6. Selective Service Registration

The Administration's FY '80 supplemental appropriation request remains stalled in the House Appropriations Committee pending assurances from Senator Byrd regarding the prospects for passage in the Senate. Chairman Whitten believes that the "transfer of appropriation" concept that has been devised solves all of the technical problems associated with the ceiling imposed by the Budget Act. However, he is unwilling to proceed until Senator Byrd indicates that he will take the bill up in the Senate without a time agreement and that he has the votes necessary to terminate Senator Hatfield's threatened filibuster.

While Senator Byrd has been preoccupied with budget and economic issues, his staff believes that he will be able to satisfy Whitten's concerns when he focuses on registration -- hopefully early this week.

There has been no change in our headcount in the full House Appropriations Committee since last week. The outlook there still looks good. In addition, we have completed our first headcount of the full House. It shows 159 "yes" or "leaning yes", 109 "no" or "leaning no" and 164 Members "unknown" or "undecided".

#### 7. Regulatory Reform

The House Judiciary Subcommittee should complete their markup this week. Two of the scheduled markups last week were cancelled because of conflicts in Chairman Danielson's schedule. Next week the Subcommittee will vote on legislative veto, the "Bumpers" Amendment and public participation funding.

At our suggestion, an agreement has been worked out between Judiciary and Post Office to avoid sequential referral and meet jurisdictional concerns on the Administrative Law Judge sections of the regulatory reform bill. Danielson's Judiciary Subcommittee will delete the section in markup this week and Chairman Hanley, who has introduced the ALJ section as a separate bill, plans to begin hearings this week. Hanley hopes to report his bill by the time the full Judiciary Committee reports in late April so that the two bills can be merged on the House floor.

There has been no significant action in the Senate.

## 8. Extension of Reorganization Authority

Senator Ribicoff has indicated that he is willing to introduce and support an extension so long as Senators Talmadge and Hollings do not object. Jim McIntyre will talk to Talmadge and Hollings early this week.

## 9. NRC Reorganization Plan

A decision memorandum was submitted to you on Wednesday. Despite two last minute letters from pronuclear Senators, our assessment of the prospects for transferring NRC's export licensing authority is the same. Gaining passage would be very difficult. Many numbers would view such a transfer as a retreat from our support of non-proliferation.

Some, including Chairman Ribicoff and Senator Percy, have also expressed the view that the transfer proposal would involve major policy questions which should not be dealt with in a reorganization plan, i.e., they feel that the questions go beyond the intended scope of the Reorganization Act.

## II. FOREIGN POLICY ISSUES

### 1. UN VOTE

On Wednesday the House Foreign Affairs Committee agreed to defer any action on the Holtzman Resolution of Inquiry until after the Committee has met in closed session with Vance. Secretary Vance has agreed to meet with the Committee, but a time has not been set.

Secretary Vance has also agreed to meet with the SFRC on Thursday. Church and Stone are pressing for an open hearing; we are asking for a closed session.

The Congress is on notice that we are prepared to invoke Executive privilege to protect the documentation involved in the Security Council vote decision. State has informed both Committees that Secretary Vance is not prepared to discuss the decision-making process but that he will discuss the policy issues.

### 2. Taiwan Arms Sales Hearing

Glenn's Asia-Pacific Subcommittee held an executive session hearing on Taiwan arms sales. Although the questioning involved some criticism -- we are perceived as being over-sensitive to Beijing's reactions -- the atmosphere was surprisingly non-confrontational. Both Helms and Stone warned the Administration that if Taiwan's defense needs are not satisfied, the country might move toward a nuclear option. The Committee was informed that no decision would be made on the FX aircraft until DOD completes a study to determine whether the production and support of the FX would divert needed resources from the production of other U.S. aircraft.

### 3. FY-1980 Foreign Aid Appropriation

The conference report on the FY-80 bill is in limbo, the victim of the determination that the second budget resolution ceiling has been exceeded. No further action can be taken until a third budget resolution is passed raising the overall budget authority and outlays ceilings.

We continue to push for Congressional approval of the full FY-80 bill. In our efforts to meet this objective, however, we must avoid the worst of all worlds, i.e., shooting for everything and thereby risking coming away with little or nothing. The Budget Committees see us as having a number of very urgent programs which would be approved as part of an omnibus supplemental package. This may in fact be the most propitious course to follow. In the end, the Budget Committees may well make the decision for us; if they do not give us the margin we need in the third resolution to pass the conference report, we will be forced to go the supplemental route.

### 4. FY-81 Aid Authorization

We have overcome a number of important hurdles on our proposals to remove restrictions on Presidential flexibility before the HFAC. The Committee will decide funding levels once our revised budget is received. For now, the HFAC has sent to the Budget Committee only a preliminary report which includes the program changes recommended by the subcommittees. These changes include increases of \$210 million in security assistance programs, \$200 million more FMS for Israel and \$84 million more in development assistance.

We expect that the aid level for Israel will be an important issue in the Senate as well as in the House. Javits signaled his interest in the subject when Warren Christopher testified on Wednesday. We also anticipate that the Senate will carefully review all of our legislative proposals designed to enhance Presidential flexibility.

### 5. Intelligence Charters

The Senate Select Committee on Intelligence activity is temporarily stalled pending agreement on a new date for the Vance, Brown, and Civiletti appearance. We finally managed to get the three of them together and then Bayh could not make it. The House Permanent Select Committee will begin its hearings on March 18 with Turner. If possible, they are even more antagonistic than the Senate.

## House Schedule March 17-21, 1980

Monday, March 17

S. 1515

Authorizing striking of Bicentennial medals

H.R. 5625

Gold Medal for the A. Philip Randolph Institute

Tuesday, March 18

H.R. 5751

Protection of archaeological resources in Southwestern Colorado

H.R. 6631

Indian land claims

S. 2222

Extending time for Indian Claims

Wednesday-Friday

March 19-21

H.J. Res. 510

Continuing Appropriation for FTC

H.R. 5741

Mortgage Subsidy Bond Tax Act of 1979

H.Res. 549

Standing Committee on Energy

THE WHITE HOUSE  
WASHINGTON

18 Mar 80

The Vice President  
Hamilton Jordan  
Jody Powell  
Al McDonald  
Stu Eizenstat  
Sarah Weddington  
Anne Wexler  
Lloyd Cutler  
Frank Moore  
Hedley Donoyan  
Jack Watson  
Jim McIntyre  
Charlie Schultze  
Alfred Kahn

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

Rick Hutcheson

EYES ONLY



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

March 14, 1980

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Weekly Report of HEW Activities

Day Care Regulations Approved: This week I signed final day care regulations establishing health, safety, and programmatic standards for nearly one million children in HEW-funded day care centers. The regulations provide flexibility to States and service providers. The question of the ratio of children per caregiver strikes a balance between developmental needs and reasonable cost.

Blue Ribbon Panel to Recommend New Directions for Head Start. At the fifteenth anniversary celebration of Head Start on Wednesday, you asked me to convene a blue ribbon panel of experts to recommend new directions for Project Head Start in the nineteen-eighties. I convened that panel Thursday morning. The meeting was an open and productive session. I will report to you on the recommendations of the panel once it presents me with a written report.

New York Submits Request for Experimental Funding for Metropolitan and Sydenham Hospitals. On March 12, New York State and City submitted a proposal to HEW requesting support for a plan to provide financial assistance to Metropolitan and Sydenham Hospitals. Leonard Schaeffer, Administrator of the Health Care Financing Administration, will meet on Tuesday, March 18, with City officials to discuss the proposal.

Announcement of a Senior Citizens Steering Committee for Carter/Mondale. This afternoon I will be appearing with Governor Grasso at a news conference announcing the formation of a Senior Citizens Steering Committee for Carter/Mondale. I will also represent the President at the Liberal Party Forum in New York City.

*Patricia Roberts Harris*

Patricia Roberts Harris

**Electrostatic Copy Made  
for Preservation Purposes**



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

March 14, 1980

Principal Activities of the Department of Justice  
for the Week of March 10 through March 14, 1980

1. Meetings and Events

On Tuesday March 11, the Attorney General testified before the Senate Judiciary Committee on the Department's FY 1981 Appropriation Authorization Bill. He stressed the Department's priorities in the areas of prosecution, enforcement, corrections, and litigation management.

On Wednesday March 12, the Attorney General addressed the American Newspaper Publishers Association in Washington, D.C. He spoke on the subject of open trials in criminal cases.

In addition, the Attorney General held a news conference at the Department of Justice on Thursday March 13.

2. Textron

In response to letters from several members of Congress, the Attorney General, citing the inapplicability of the 1978 statute and the absence of substantial evidence, formally declined to appoint a Special Prosecutor to investigate allegations against the Secretary of the Treasury. He indicated, however, that investigations involving Textron and Bell Helicopter were continuing at the Department.

3. Soviet Ship Seized

On Thursday, the Coast Guard seized a Soviet fishing vessel in the Gulf of Alaska for underreporting the quantity of fish it had caught, a violation of the recordkeeping regulations of the Fishery Conservation and Management Act. The Coast Guard boarded the vessel on Monday and was subsequently authorized by the Departments of State, Commerce, and Justice to seize the ship. Department officials and the United States Attorney for the District of Alaska are considering civil and criminal actions against the ship and its captain.

#### 4. Legislative Matters

The Senate Commerce Committee approved a trucking deregulation bill by a vote of 13 to 4. Attempts to preserve anti-trust immunity for joint rate setting were rejected. Also eliminated from the bill were sections which would have granted to the Interstate Commerce Commission substantial independent litigating authority.

The Criminal Justice Subcommittee of the House Judiciary Committee approved a criminal code reform bill by a vote of 7 to 1. This is the first time that a criminal code reform bill has been voted out to the full Committee in the House. The bill contains a provision permitting a lawyer in the grand jury room, which the Department hopes to be able to eliminate in the full Committee.



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

C  
/

March 14, 1980

MEMORANDUM TO THE PRESIDENT

THROUGH Rick Hutcheson  
Staff Secretary

SUBJECT: Weekly Report

WORLD CROP PROSPECTS UP. World total grain production in 1979/80 is forecast at 1,526 million tons, up slightly from a month ago. The increase mainly reflects improved prospects in Brazil and South Africa, and post-harvest revisions in the Indian, East European, and Indonesian crop estimates. World production of major oilseeds in 1979/80 is projected at 180 million tons, marginally above the February forecast as upward revisions in forecasts for sunflowerseed are partly offset by a small reduction in soybeans. The 1979/80 world cotton crop is forecast at a record 65.3 million bales, up nearly a tenth from last season's. Production is unchanged from a month ago as improved prospects in Pakistan offset forecasts of a smaller anticipated crop in Paraguay.

U.S. CORN EXPORTS UP. World demand continues strong for feedstuffs, with a substantial increase indicated in U.S. corn exports and marginally higher export levels indicated for soybeans and soybean meal. U.S. 1979/80 corn exports are now indicated at 2.4 billion bushels, up 125 million from the January 28 estimate in response to a decrease in export availabilities from a reduced Argentine feed grain crop and growing world demand as importing countries seek new sources of grain in the face of strong competition from the USSR.

Commodity (million metric tons)	U.S. Ending Stocks							
	1977/78	1978/79	1979/80					
			Oct. 24	Nov. 13	Jan. 9	Jan. 16	Jan. 28	Mar. 11
Wheat	32.0	25.2	23.2	23.2	26.0	26.0	26.5	26.5
Rice (rough)	1.2	1.5	1.6	1.6 <sup>1/</sup>	1.6	1.6	1.6	1.6
Feedgrains	41.2	45.9	42.2	47.4	55.1	59.7	56.5	53.3
Total grains	74.5	72.8	67.1	72.6	83.1	87.4	84.8	81.6
Soybeans	4.4	4.7	---	10.9	11.2	12.0	---	11.6
Cotton	1.2	0.9	---	1.2 <sup>1/</sup>	---	1.1	1.0 <sup>2/</sup>	1.0

<sup>1/</sup> December 12 projections. <sup>2/</sup> February 12 projections.

CATTLE DOWN. Cattle on feed March 1 in the 7 monthly reporting States were down 9 percent from a year ago. Placements during February were down 8 percent while marketings were down 5 percent. These estimates were in line with industry expectations. Placements continued to lag last year's level despite more feeder cattle outside feedlots than a year ago. High production costs, particularly interest charges, along with fed cattle prices that are now only at about the level of a year ago have made many cattle feeders reluctant to place more cattle in feedlots. Placements in the Corn Belt area are picking up some with Iowa and Nebraska showing increases of 13 and 3 percent, respectively.

POULTRY, MEAT AND EGG PRODUCTION UP. Production of broilers, turkeys, and eggs is expected to continue above the 1979 level throughout this year. As a result of large-total meat supplies, particularly pork, during the first half of 1980, broiler, turkey and egg prices are expected to be below the year-earlier level. During the second half of 1980, red meat supplies may drop below the July-December 1979 level and broiler prices could average higher than a year earlier. With large stocks of turkeys and a large production this year, turkey prices will probably remain below 1979 prices throughout this year.

A handwritten signature in black ink, appearing to read 'Bob Bergland', with a large, sweeping flourish at the end.

BOB BERGLAND



THE DEPUTY SECRETARY OF TRANSPORTATION  
WASHINGTON, D.C. 20590

March 14, 1980

MEMORANDUM FOR THE PRESIDENT

THROUGH: Rick Hutcheson, Staff Secretary

FROM : William J. Beckham, Jr.

SUBJECT: Significant Issues for the Week of March 10

Trucking Regulatory Reform Legislation - The Senate Commerce Committee this week voted to report a progressive truck reform bill. Key provisions will liberalize entry into the trucking industry, phase out anti-trust immunity for rate bureaus to set single line rates and allow firms to raise rates within a 10 percent "zone of reasonableness" and by the inflation rate. Other important provisions reduce restrictions on operating, routing, and commodity-hauling authority. Senator Cannon hopes to schedule the bill for a vote of the full Senate by April 3.

Markup of trucking deregulation in the House Public Works Committee is tentatively scheduled for late this month. The House bill, sponsored by Congressman Jim Howard, provides much less reform than the Senate bill. Congressman Howard is reportedly upset over newspaper editorials criticizing the House bill as too conservative, but his response to the criticism is uncertain. Obtaining significant reform from the House will be a tougher battle than in the Senate.

Midwest Rail Restructuring - Directed service on the Rock Island Railroad ends on March 23. The Department has recommended to the ICC that interim operations by 17 carriers interested in purchasing parts of the Rock Island begin on that date. The interim operators would serve 77 percent of the Rock Island's traffic, provide jobs for approximately one-third of the Rock Island's employees, and operate over 46 percent of the Rock Island's track. Interim operators would provide service at their own cost. The major problem areas are in Iowa and Oklahoma. Both States want service to be provided by carriers different from those we have recommended. However, the carriers desired by the States are unable to provide interim service on their own. We are working with both States to hold all options open while at the same time attempting to guarantee service to as many shippers as possible without interruption.

The ICC will soon make its decision on a reorganization plan for the Milwaukee Railroad. It is conceivable the ICC will vote to liquidate the Milwaukee rather than support a reorganization on the grounds that none of the reorganization plans presented is feasible. Liquidation of the Milwaukee will complicate rail restructuring in the midwest.

**Electrostatic Copy Made  
for Preservation Purposes**

Wisconsin in particular would be threatened with loss of significant rail service which otherwise would have been continued under the reorganization plan of the Milwaukee Trustee. Many of the railroads which might be interested in acquiring portions of the Milwaukee in a liquidation have already extended themselves to make offers for portions of the Rock Island. Should the ICC vote for liquidation, we will seek to have the Milwaukee Trustee continue service for some time in the midwest to give us, the States, and other carriers an opportunity to work towards controlled sale of Milwaukee properties.

Secretary's Travel - Secretary Goldschmidt today is in Buffalo and Rochester, New York. In Buffalo, the Secretary will announce a \$120 million capital grant for a light rail rapid transit project. In both cities he will make a variety of public appearances, as well as attend a Carter/Mondale fundraising dinner.

Next week Secretary Goldschmidt will be in the Bay Area of California for three days. Among his activities are meetings with local ride-sharing groups, meetings with local officials, several speeches, and meetings with leadership of the California Legislature.



THE SECRETARY OF HOUSING AND URBAN DEVELOPMENT  
WASHINGTON, D.C. 20410

March 14, 1980

MEMORANDUM FOR: The President  
Attention: Rick Hutcheson, Staff Secretary

Subject: Weekly Report of Major Departmental Activities

Council on Development Choices for the '80s Announced. The initiation of an extensive study to determine the kind of communities we will need in the '80s and the changes that will be required to meet those needs will be announced on Sunday, March 16. A blue-ribbon panel of leaders from both the public and private sectors will examine these issues. The panel will be assisted by The Urban Land Institute in studying energy costs and supplies, rising land costs, shifting social patterns and the implications of these trends for housing and community development in the future.

Cooperative Agreement Supports Better Design. Intown neighborhood homeowners in four southeastern cities who wish to rehabilitate their homes will be aided by a \$200,000 Cooperative Agreement between HUD and the Design Center of Atlanta, Inc. (CDCA). CDCA will establish a network of design centers in the southeastern region of the country that will train and offer technical assistance to low and moderate income persons interested in rehabilitating their homes. The four cities selected are Jacksonville, and Tampa, Florida; Louisville, Kentucky; and Knoxville, Tennessee.

Private Mortgage Insurance Activity Continues Decline. Private mortgage insurance activity declined for the third consecutive month in January. New applications for primary insurance totaled 23,920, nearly 39 percent lower than a year ago. January's application volume was the smallest monthly volume since February 1975.

Mobile Home Finance Charges Increase. We have announced an increase in the maximum allowable finance charges for Title I, Mobile Home and Property Improvement loans. Effective Thursday, March 13 the new interest ceilings are: 17 percent for Mobile Home loans, 16-1/2 percent for Combination Mobile Home and Lot loans, and 17 percent for Property Improvement loans. The previous rates were 15-1/2 percent, 15 percent and 15-1/2 percent respectively.

HUD Supports Neighborhoods Forum in Milwaukee. A HUD-sponsored forum on "Building Neighborhoods" held in Milwaukee on March 7 and 8 drew some 400 representatives from neighborhood organizations, consumer groups, the lending industry, local governments and consultant firms. Programs and issues discussed were the Community Reinvestment Act implementation, neighborhood-based arts and energy conservation efforts.

*Suzanne Duvivier*  
for Moon Landrieu

Electrostatic Copy Made  
for Preservation Purposes



THE SECRETARY OF THE TREASURY  
WASHINGTON 20220  
March 14, 1980

9

MEMORANDUM FOR THE PRESIDENT

Subject: Highlights of Treasury Activities

1. THE MARKETS AND THE DOLLAR

- . The stock market continued to decline in moderate trading this week, closing today at 811.69.
- . In the credit markets interest rates on short-term issues were mixed while yields on intermediate and longer maturities have declined. The price improvement reflected anticipation that the anti-inflation program announcement was forthcoming.
- . Virtually all major banks are posting an 18-1/2 percent prime rate.
- . The dollar strengthened further this week as the exchange markets continued to respond to high U.S. interest rates and heightened anticipation of the anti-inflation program.
- . Gold prices have continued to decline, closing today at \$525.50, down \$86 from last Friday's price.

2. WINDFALL PROFITS TAX

- . On Thursday, March 13, the House passed the windfall profits conference report.
- . The Senate is expected to consider the report next Wednesday, March 19.

3. MULTILATERAL DEVELOPMENT BANKS

- . The House-Senate conference on the FY-1980 MDB authorization is scheduled for March 19. I expect that the cuts voted by the House last week for the Inter-American Development Bank and the Asian Development Fund will be restored.

**Electrostatic Copy Made  
for Preservation Purposes**

4. SECRET SERVICE CANDIDATE PROTECTION

- . On March 5, 1980, Senator Howard Baker withdrew as an active Republican nomination seeker. Accordingly, his Secret Service protection was terminated on that date.
- . Secret Service protection for Congressman John Anderson commenced on March 10, 1980.

  
G. William Miller



THE SECRETARY OF ENERGY  
WASHINGTON, D.C. 20585

9

March 14, 1980

MEMORANDUM FOR: THE PRESIDENT  
FROM: SECRETARY  
DEPUTY SECRETARY  
SUBJECT: Weekly Activity Report  
March 10-14, 1980

*CWJ*

1. Budget hearings: I have now completed seven budget-related hearings before the Joint Economic Committee, Senate Energy and Natural Resources Committee, House Interstate and Foreign Commerce Committee, House Science and Technology Committee, House Budget Committee, and House Appropriations Committee. Two more are scheduled for next week, Senate Appropriations Committee, and House Armed Services Committee. I find no strong broad-based sentiment against the Administration's budget or the principal DOE programs to be funded. I think more of a consensus is emerging on pursuing supply and demand measures with equal vigor.
2. Legislative items
  - . The Senate/House conferees on S. 932 reached agreement on all remaining issues of Title I (Energy Security Corporation) last Tuesday. The Strategic Petroleum Reserve will be removed from this title and addressed separately. A meeting of the Conference on Titles V (Conservation) and IX (Solar Bank) is scheduled tentatively for early next week and it is expected to take from two to three weeks to get through these titles.
  - . DOE sent to OMB this week an abbreviated but improved version of the Energy Management Partnership Act which strengthens the role of local governments, provides for consumer protection, and supports use of renewable resources.
  - . DOE is working with the Energy and Power Subcommittee staff to develop legislative language for the utility oil backout proposal. The legislation is expected to be introduced in the House early next week.
  - . An amendment to the Naval Petroleum Reserve Production Act was transmitted to Congress. The amendment authorizes the Secretary to provide oil from the Reserve to the Department of Defense for its use. This will prevent another sale of Elk Hills oil in June.

3. International items

- . The Algerian Government recently informed the French of an increase in the price of liquified natural gas from \$3.05 to \$6.11/MMBtu. This doubling of the price is an attempt to achieve parity with oil prices. This threatens the viability of existing and prospective LNG projects in the United States. We have offered to cooperate with the French to oppose the increase for both United States and French projects.
- . Israeli Energy Minister Modai may visit the United States in about two weeks to discuss the United States-Israeli oil supply agreement and Israel's interest in an oil shale demonstration plant.

4. Gasoline: Refiners have shifted to higher yields of gasoline since the end of 1979; production has increased from 6.7 MMB/d in November to 7.2 MMB/d in January. In the next six months, total gasoline supplied is expected to average from 6.6 to 7.0 MMB/d. Gasoline prices are expected to be in a range from \$1.24 to \$1.40 by August. Occasional regional gasoline lines are expected to continue due to shorter working hours by retail dealers, price differentials among stations caused by some stations being supplied by refiners with access to much cheaper crude, and temporary refinery or other distribution problems. Projections of motor gasoline use continue below year-ago levels.
5. Illinois trip: I will be in Illinois Monday at Bob Strauss' request to do press appearances related principally to coal.

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

March 14, 1980

MEMORANDUM FOR THE PRESIDENT

FROM: Gus Speth  
Jane Yarn  
Bob Harris



SUBJECT: Weekly Report

Love Canal. Slowness in providing temporary and permanent rehousing for the victims of the Love Canal hazardous waste disaster has led to charges of bureaucratic unresponsiveness. Until these victims receive compensation from the state (the legislature has appropriated \$5 million for this purpose, with promise of more), they have requested the use, rent free, of vacant Niagara Air Force Base housing units. Bob has taken the lead in trying to make these units available, working closely with White House staff, OMB, DOD, and EPA. We are hopeful that the necessary arrangements can be completed within the next ten days. The problem has been a highly visible one, and our action should be a popular one.

Hazardous Substances. Currently, many hazardous substances are exported without careful warning to recipient countries about the dangers. We have been working closely with Esther Peterson's office in drafting an Executive Order that would, among other things, require exporters to provide government officials of the receiving country and the public with notice that hazardous substances are scheduled for export, and information about their risks. Over the past two weeks we have held public meetings with representatives of industry, labor unions, and environmental and consumer groups to obtain their views. We expect to complete preparation of the order by the end of April.

National Contingency Plan. This week we issued final regulations for the National Oil and Hazardous Substances Pollution Contingency Plan. The revised Plan will improve and better coordinate federal actions aimed at cleaning up spills of oil and hazardous chemicals.

Electrostatic Copy Made  
for Preservation Purposes

THE SECRETARY OF COMMERCE  
WASHINGTON, D.C. 20230

C  
/

FYI

March 14, 1980

REPORT TO THE PRESIDENT

Export Controls: Our work with the NSC on export control policy has been completed save for final decisions, to be reached in consultation with our allies, on the COCOM list.

Appropriations Testimony: Overall, the Commerce budget was well received and the likelihood that it would be cut, well understood. Your innovation initiative is receiving strong support, though some question the adequacy of its scale. The quality and extent of this initiative is being looked to by both Congress and the business community as being of central importance to the long-term health of the economy.

Steel/TPM: In order that we maintain control of this situation, I believe it is urgent that our policies be immediately clarified and communicated to the business and international communities who are currently unable to plan for the future.

Patent and Trademark Office (PTO): I continue to meet with congressional and business leaders to present Administration arguments in opposition to Senator Bayh's proposal to establish the PTO as an independent organization.

Census Undercount: My meetings with minority representatives regarding their concern for the possibility of an undercount evidences their strong support for Census Bureau efforts to avoid the problem. The questions of determining whether an undercount has occurred and, if so, how to adjust for it, remain serious concerns.

*Richard M. Cheney*  
Secretary of Commerce

**Community** WASHINGTON, D.C. 20506  
**Services Administration**



C  
1

MEMORANDUM FOR THE PRESIDENT

TO: Rick Hutcheson  
Staff Secretary

FROM: William W. Allison *W.A.*  
Acting Director

SUBJECT: Weekly Report of Significant Activities  
(March 10-14, 1980)

DATE: MAR 14 1980

ENERGY EFFICIENCY AND CONSERVATION

Representatives of the CSA and the American Gas Association have met to discuss the possibilities of joint energy efficiency and conservation efforts across the country. CSA initiated these meetings as one of its efforts to fulfill the Agency's mandate to advocate for the poor and to mobilize the resources of the private sector.

CSA and AGA have jointly agreed that the objective of their efforts is to encourage the energy industry to work with community action agencies and to provide leadership and resources at the local level in the areas of energy conservation job training and long-term job placement in the private sector.

As a first step, a working session co-sponsored by AGA and CSA is scheduled for March 28 to explore ideas in this area and to develop a framework for action which will be carried out at the local level. Attendance will be limited to a small group of representatives of gas, oil and electric providers, as well as CAAs, the White House and the Department of Energy.

THE SECRETARY OF EDUCATION  
WASHINGTON, D.C. 20202

14 March 1980

MEMORANDUM FOR: The President  
Attention: Rick Hutcheson, Staff Secretary

SUBJECT: Weekly Report of Major Activities

Appointments

Elizabeth Carpenter, Assistant Secretary for Public Affairs; C. William Fischer, Assistant Secretary for Planning and Budget; and John Gabusi, Assistant Secretary for Management, were sworn in on March 14. Confirmation hearings for Betsy Levin, General Counsel-Designate were also held on that day.

I continue to meet with finalists for the positions of Assistant Secretary for Special Education and Rehabilitative Services, and Assistant Secretary for Vocational and Adult Education, and expect to forward my recommendations to you very shortly.

On March 11, Dr. Margaret Gianini was sworn in as the first Director of the National Institute of Handicapped Research.

Appropriations

I am scheduled to testify before the House Labor-HEW Appropriations Subcommittee on March 18. On March 13 I met with Senator Pell and Congressmen Perkins and Ford to discuss possible reductions in the FY 1981 budget request.

Trip to New York

On March 16 I will go to New York City to meet with representatives of the New York City Citizens Committee at the request of the Carter-Mondale Presidential Committee. I will also address the United Federation of Teachers Conference.

Consultations

In the past week I had useful meetings with representatives of Hispanic groups (March 12) and the National Council on Educational Research (March 14).

  
Shirley M. Hufstедler

THE WHITE HOUSE  
WASHINGTON

SUSAN

PAUL GOODRICH WILL NOT BE  
ATTENDING THE LUNCHEON TODAY.  
INSTEAD, DIANA ROCK WILL BE  
REPRESENTING THE CARTER/  
MONDALE COMMITTEE. WILL YOU  
CHANGE THE PRESIDENT'S PAPER?

NELL

12:00 noon

March 17, 1980

MEMORANDUM FOR THE PRESIDENT

SUBJECT: LUNCHEON  
Tuesday, March 18, 1980  
12:00 Noon  
Second Floor Family Dining Room

Attached is the guest list with background information for your luncheon tomorrow.

The guests are from the state of Connecticut, and the luncheon is sponsored by the Connecticut Carter/Mondale Committee.

David Rubenstein and David Aaron will brief the guests in the Map Room at 11:15 a.m.

Electrostatic Copy Made  
for Preservation Purposes

BACKGROUND INFORMATION ON LUNCHEON GUESTS

LIEUTENANT GOVERNOR WILLIAM O'NEILL

PAUL GOODRICH

Connecticut State Coordinator. Attorney in Boston, Massachusetts.

OLGA MELE

East Hartford. Since 1966, has been on the Community Renewal Team of greater Hartford. In 1977 she won the Jefferson award from the American Institute of Public Service. In 1979 Governor Grasso appointed her to the Human Resources Reorganization Commission. Married; two children. Originally from Puerto Rico.

RUTH ST. PETER

Hartford. Long involved in political and community activity in the Greater Hartford area. Member of the Hartford Town Council and Hartford Federation of Democratic Women. Married; 3 children.

SHEILA MILLMAN

Brookfield. Danbury City Council 1973-1977. Graduate student at Wesleyan University. Masters in Chinese studies. Coordinator for Carter/Mondale, 5th Congressional District. She has a husband, Roland, and two daughters, ages 13 and 16.

JAMES ELMO

Bridgeport. Runs Transportation and Parking for the City of Bridgeport. Carter/Mondale Bridgeport Coordinator. Campaign Manager for Mayor Mandanici. His wife, Patricia, is assistant curator at the Barnum Museum, and they have a four-year-old daughter, Sara.

WILLIAM McKAY

Appointed by the Governor as Commissioner of Aging, 1978-1979. Lobbyist for senior legislation, now associated with the University of Connecticut, School of Social Work. His wife is a former guidance counselor. He has two sons: William, Jr., is a Housing Counselor at Boston University, and Richard works for the Connecticut Department of Consumer Protection.

NANCY SCHNELLER

Essex. Is a member of the League of Women Voters. Actively assists her husband in his State Senate duties (her husband is State Senator Richard Schneller, 2nd District Carter/Mondale Coordinator).

RUTH BURNS

Waterbury. Owns and runs hardware store in Waterbury along with

her son, Richard. The name of the store is O'Hearns Hardware. She worked for Mayor Edward Bergin's reelection. She is a widow with three children, two daughters and one son.

VINCENT MAURO

New Haven. For 14 years, a member of the Board of Aldermen; 10 years as President. Currently he is the Chief Deputy Sheriff of New Haven County, and he is soon to be the Democratic Town Chairman. Campaign Manager for Mayor Ben DiLieto. He is married (his wife's name is Georgette) and he has two children.

BRAD STEWART

Rocky Hill. For 15 years, International Representative for the UAW; 27 years as a member. Active in Rocky Hill and state politics. He is a longtime supporter of the Governor. He has a wife, Judith, and two daughters, Tanya and Kimberly.

STUART ROBBINS

Stamford. Investment banker. He organized Stamford for the Carter/Mondale campaign. He is coordinating an 80-person volunteer phone bank.

JANE GLOVER

New London. President of the 25,000-member Connecticut Education Association. Chairperson, Carter/Mondale Minority Steering Committee.

THE WHITE HOUSE

WASHINGTON

March 17, 1980

MEETING WITH J. BRUCE LLEWELLYN, PRESIDENT,  
OVERSEAS PRIVATE INVESTMENT CORPORATION (OPIC)

Tuesday, March 18, 1980

11:55 a.m. (3 minutes)

The Oval Office

FROM: ANNE WEXLER *DW*

I. PURPOSE

Brief greeting and photograph with J. Bruce Llewellyn, President, Overseas Private Investment Corporation (OPIC).

II. BACKGROUND, PARTICIPANTS AND PRESS PLAN

Background: You named Bruce Llewellyn President of OPIC, and he took office in October 1978. He is one of the highest ranking black Presidential appointees in the Federal Government. You had a similar meeting with Mr. Llewellyn two years ago.

The color photograph taken during your meeting (which should show you seated in a working environment) will be used as a front piece in OPIC's FY 79 annual report, 20,000 of which will be distributed to business leaders, Congress and educational institutions throughout the country. The photo will also be sent to major black press in New York City.

Participants: Bruce Llewellyn, President, OPIC  
Jon Rotenberg, Vice President, Public & Congressional Affairs, OPIC

Richard Reiman, staff

Press Plan: White House photographer.

III. TALKING POINTS

1. Two months ago, Bruce attended the Berne Union meeting in India. Berne Union is a group of 33 developed countries including the United States who get together to discuss investment and export insurance for their industries in the developing countries. The meeting went well and you might ask Bruce about it.
2. General courtesies.

NAME Jessie Jackson

1118

TITLE \_\_\_\_\_

CITY/STATE Chicago, Ill.

Requested by Phil Wise

Date of Request 3/10/80

Phone Number--Home (312) 955-1927

Work (312) 373-3366

Other ( ) \_\_\_\_\_

INFORMATION (Continued on back if necessary)

Jessie called you at 4:45 pm today. Louie Martin spent an hour with Jessie today in Chicago. Louie thinks Jessie will ask you two things:

- 1) To call Bill Reddy, the VP of Local #2 Firefighters, and thank for his co-operation in settling the fireman's strike in Chicago.

NOTES: (Date of Call \_\_\_\_\_)

*Cancel*

According to Louie Jessie<sup>himself</sup> was very effective in obtaining the settlement but the papers have given him little credit.

- 2) Ask you what is going on as far as the budget work of this past week and its effect on programs he is interested in.

THE WHITE HOUSE  
WASHINGTON

18 Mar 80

Frank Moore

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

Rick Hutcheson

*KV*  
NAME Frances Slack  
wife of former Congressman  
TITLE John Slack  
CITY/STATE D-WVa.  
Phone Number--Home (     ) WH Operator  
Work (     )                       
Other (     )                     

1135  
*F.M.*

Requested by Frank Moore  
Date of Request 3-18-80

INFORMATION (Continued on back if necessary)

John Slack died last night. You should call Frances Slack to extend your sympathy and express your bereavement. She will be leaving Washington for West Virginia this afternoon. The call should be made as soon as possible.

NOTES: (Date of Call 3-18 )

*Will call Frank if she needs help*

prt

NAME Izzy Cohen

1130

TITLE President, Giant Food Inc.

Requested by E. Peterson

CITY/STATE Washington, D.C.

Date of Request 3/11/80

Phone Number--Home (202) 363-2390

Work (301) 341-4862

Other ( )

INFORMATION (Continued on back if necessary)

*cancel*

Giant Food, Inc., a Washington, D.C. based supermarket chain, has announced the most comprehensive voluntary price ceiling program in response to Esther's request. They have frozen their prices on 275 generic food items and 100 generic drug items and the program will be in effect for 21 weeks.

(continued on back)

NOTES: (Date of Call \_\_\_\_\_)

*Saw personally*

In addition to this outstanding program, Izzy worked closely with Esther in conceiving the idea of a retail price ceiling program for the food industry and offered advice on how to design it in such a way as to assure its success.

**Electrostatic Copy Made  
for Preservation Purposes**

THE WHITE HOUSE  
WASHINGTON

18 Mar 80

Reubin Askew

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

Rick Hutcheson

cc: Stu Eizenstat  
Jim McIntyre  
Charlie Schultze  
Landon Butler

<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
<input type="checkbox"/>	NO DEADLINE
<input type="checkbox"/>	FOR APPROPRIATE HANDLING
<input type="checkbox"/>	LAST DAY FOR ACTION

<input type="checkbox"/>	ADMIN CONFID
<input type="checkbox"/>	CONFIDENTIAL
<input type="checkbox"/>	SECRET
<input type="checkbox"/>	EYES ONLY

ACTION  
FYI

<input type="checkbox"/>	VICE PRESIDENT
<input type="checkbox"/>	JORDAN
<input type="checkbox"/>	CUTLER
<input type="checkbox"/>	DONOVAN
<input checked="" type="checkbox"/>	EIZENSTAT
<input type="checkbox"/>	MCDONALD
<input type="checkbox"/>	MOORE
<input type="checkbox"/>	POWELL
<input type="checkbox"/>	WATSON
<input type="checkbox"/>	WEDDINGTON
<input type="checkbox"/>	WEXLER
<input type="checkbox"/>	BRZEZINSKI
<input checked="" type="checkbox"/>	MCINTYRE
<input checked="" type="checkbox"/>	SCHULTZE
<input type="checkbox"/>	
<input type="checkbox"/>	ANDRUS
<input checked="" type="checkbox"/>	ASKEW
<input type="checkbox"/>	BERGLAND
<input type="checkbox"/>	BROWN
<input type="checkbox"/>	CIVILETTI
<input type="checkbox"/>	DUNCAN
<input type="checkbox"/>	GOLDSCHMIDT
<input type="checkbox"/>	HARRIS
<input type="checkbox"/>	KREPS
<input type="checkbox"/>	LANDRIEU
<input type="checkbox"/>	MARSHALL

<input type="checkbox"/>	<input type="checkbox"/>	MILLER
<input type="checkbox"/>	<input type="checkbox"/>	VANCE
<input type="checkbox"/>	<input type="checkbox"/>	
<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	BUTLER
<input type="checkbox"/>	<input type="checkbox"/>	CAMPBELL
<input type="checkbox"/>	<input type="checkbox"/>	H. CARTER
<input type="checkbox"/>	<input type="checkbox"/>	CLOUGH
<input type="checkbox"/>	<input type="checkbox"/>	CRUIKSHANK
<input type="checkbox"/>	<input type="checkbox"/>	FIRST LADY
<input type="checkbox"/>	<input type="checkbox"/>	FRANCIS
<input type="checkbox"/>	<input type="checkbox"/>	HARDEN
<input type="checkbox"/>	<input type="checkbox"/>	HERTZBERG
<input type="checkbox"/>	<input type="checkbox"/>	HUTCHESON
<input type="checkbox"/>	<input type="checkbox"/>	KAHN
<input type="checkbox"/>	<input type="checkbox"/>	LINDER
<input type="checkbox"/>	<input type="checkbox"/>	MARTIN
<input type="checkbox"/>	<input type="checkbox"/>	MILLER
<input type="checkbox"/>	<input type="checkbox"/>	MOE
<input type="checkbox"/>	<input type="checkbox"/>	PETERSON
<input type="checkbox"/>	<input type="checkbox"/>	PRESS
<input type="checkbox"/>	<input type="checkbox"/>	SANDERS
<input type="checkbox"/>	<input type="checkbox"/>	SPETH
<input type="checkbox"/>	<input type="checkbox"/>	STRAUSS
<input type="checkbox"/>	<input type="checkbox"/>	TORRES
<input type="checkbox"/>	<input type="checkbox"/>	VOORDE
<input type="checkbox"/>	<input type="checkbox"/>	WISE

THE WHITE HOUSE  
WASHINGTON

3/17/80

Mr. President:

CL and Landon Butler have no comment.

OMB favors the position recommended by Gov. Askew, but points out that STR characterizes DOT's position inaccurately. Goldschmidt favors no restrictive action now but a close monitoring to assure that import penetration does not reach a level that would cause permanent injury. OMB opposes this approach, as it implies that the USG would act even in the absence of a finding of injury under our import relief laws. The burden should remain with the domestic auto industry to make its case.

CEA "believes it imperative that we publicly discourage the Japanese from imposing a voluntary export restraint program." The public will be watching to judge the seriousness of our fight against inflation.

Rick

THE UNITED STATES TRADE REPRESENTATIVE  
WASHINGTON  
20506

*No encouragement  
of restraints re  
foreign cars.*  
C

ACTION

MARCH 14, 1980

MEMORANDUM FOR:

THE PRESIDENT

FROM:

REUBIN O'D. ASKEW *RA.*

SUBJECT:

Automobile Imports

Background

Imported autos have dramatically increased their share of the U.S. market from 17.7 percent in 1978 and 21.8 percent in 1979 to 25.8 percent in the quarter ending February 1980. Japanese imports have increased their share of the U.S. market from 12 percent in 1978 and 16.6 percent in 1979 to 21.1 percent in the quarter ending February 1980.

The loss of market share by U.S. producers over the last year is due to a major shift in consumer preference for small, fuel-efficient, high quality cars and the short-run inability of U.S. producers to meet that demand. Gasoline shortages, long gas station lines, and rapidly rising gas prices during 1979 led to increased demand for fuel-efficient cars and depressed sales of large, fuel-inefficient cars. This has resulted in the indefinite layoff of 175-200,000 U.S. auto workers and concern by U.S. firms for their economic viability.

U.S. manufacturers are responding by developing new, small cars and converting production lines from large to small cars as fast as possible. U.S. producers are selling virtually all the small cars they can produce, but they are unable currently to meet consumer demand. Japanese producers are well positioned with their export orientation and their small, fuel-efficient, high quality cars to meet consumer demand and have actively pursued this opportunity. Under current plans U.S. manufacturers expect to more than triple production of small cars between now and the end of model year 1982 and have enough new models and production capacity for small cars to meet consumer demand at some point in the 1983-85 model years.

So far the problems of U.S. manufacturers have not been due entirely to import competition; overall demand for autos has also declined as a result of higher car prices and rising interest rates. The prospective tightening of consumer credit may prolong and even deepen the decline in demand.

To date, we have told the Japanese that economically sound Japanese investment in production facilities in the U.S., and increased Japanese imports of U.S. autos and parts would be politically helpful in holding off legislation to restrict imports. Honda, the third largest Japanese exporter to the U.S., has announced plans to build a production facility in Ohio. The two largest Japanese exporters, Toyota and Nissan (Datsun), have indicated they are considering investment, but remain reluctant to commit themselves despite pressure from the Japanese Government to do so. To address the current problem in the U.S. auto industry, Toyota and Nissan have indicated an interest in investing in light truck production but appear to prefer to restrict exports rather than invest in auto production in the U.S. Their reluctance to invest stems from many concerns, including: a) U.S. labor costs twice as high as Japanese; b) their perception of more difficult labor relations problems in the U.S.; c) their long-run competitiveness in the U.S. in light of impending growth of U.S. small car production. Some progress has been made in opening up the Japanese market to U.S. cars and parts and we are in the midst of negotiations with the Japanese on further access. But the market for U.S. exports to Japan has been small (19,000 autos in 1979).

The UAW, with the support of some manufacturers, has called for temporary reductions in imports of Japanese autos and for investments by Japanese manufacturers in production facilities in the U.S. UAW President Fraser visited Japan in February to increase Japanese awareness of U.S. auto problems. Fraser has also announced his intention to propose legislation requiring a high percentage of U.S. content in autos imported by large volume producers. Such legislation would restrict imports and violate our obligations under the General Agreement on Tariffs and Trade, though a number of less developed countries have such requirements. It could trigger similar action by additional countries, thereby impairing the efforts of U.S. manufacturers to produce a world car. In March 7 hearings before the House Subcommittee on Trade, Chairman Vanik and Mr. Fraser agreed that a good solution to the problem would be for the Japanese to restrain exports at 1977 levels (a 20 percent reduction from 1979 levels) and invest in the U.S.

Conceivably, import restrictions could have some favorable impact on jobs and profits in the auto industry. But this would be accomplished at the expense of higher average prices for automobiles and increased fuel consumption at a time when reducing inflation and promoting energy conservation are paramount national objectives.

The industry and union also have legal redress. If they believe they can prove that imports are a substantial cause of injury, they have the option to petition the ITC for import relief under the Section 201 escape clause. While we understand they are considering such action, no petition has yet been filed. They may have difficulty proving injury since U.S. manufacturers claim they are selling all the small cars they can produce. The UAW points out, however, that two U.S. models, Ford Fairmont and Mercury Zephyr, which are not being produced at full capacity, are competitive with the fuel efficiency of larger Japanese imports.

### Administration Response

I may personally testify on March 18 before Vanik's Trade Subcommittee of Ways and Means. We will say that in the absence of legal authority, we cannot discuss, or encourage either directly or indirectly, a voluntary export restraint agreement with the Japanese. While we are sensitive to the consequences of the problems facing the auto industry and those who have been either temporarily or indefinitely laid-off, there is a serious question as to whether any restraint on imports of fuel-efficient cars would result in a significant increase in the production and sale of less fuel-efficient American cars. We do not believe a reduction in the availability of fuel-efficient automobiles is in the best interest of American consumers. We continue to believe that the proper course is to encourage the Japanese to give consideration to economically viable investment in production facilities in the United States and to provide for better access to the Japanese market for U.S. autos and parts. Furthermore, if the Japanese do restrain their sales to us, it would relieve the pressure we have tried to generate on them to make economically sound investments in this country. We will add that if the companies or unions feel they are being injured by imports, the legal framework exists for them to initiate proceedings that could result in the consideration of import or export restraints. In addition, if the Administration or the International Trade Commission or the Ways and Means Committee or the Finance Committee feels that such restraints should be considered, they can initiate these proceedings.

The Labor and Transportation Departments (see attached statement) differ from this view in that they do not believe we should discourage voluntary export restraint by the Japanese at this time. They would prefer to keep this possibility of unilateral action by the Japanese open since they believe it could be useful in the future in dealing quickly with job losses and industry disruption caused by increased market penetration by imports from Japan.

*just the  
opposite  
would  
happen*

*Don't  
write  
it*

Option I (USTR, State, Treasury, NSC, Commerce, Energy, CEA, and CWPS) DPS

Discourage the Japanese from restraining exports of automobiles.

Approve \_\_\_\_\_ ✓

Disapprove \_\_\_\_\_

Let's discuss \_\_\_\_\_

Option II (Labor, Transportation)

Do not discourage the Japanese from restraining exports at this time.

Approve \_\_\_\_\_

Disapprove \_\_\_\_\_

Let's discuss \_\_\_\_\_



THE SECRETARY OF TRANSPORTATION  
WASHINGTON, D.C. 20590

March 14, 1980

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Automobile Imports

The Auto Problem

The automotive sector is vital to the economy. It employs directly or indirectly about three million people and accounts for approximately four percent of the GNP. The industry estimates that as many as 14 million jobs, or about one in six in the U.S., are related to the motor vehicle industry as a whole. It consumes over a fifth of the nation's steel output, over half of its rubber, one-fourth of its glass, and a large percentage of copper, lead, aluminum and other commodities. Currently, however, the automotive industry is in a serious recession, resulting in the indefinite layoff of 175-200,000 U.S. auto workers. This recession appears to be due to a number of factors, including general economic conditions, the high cost of credit, and rapidly changing consumer preferences for smaller, more fuel efficient vehicles. This change in consumer demand has been caused by the rapid increase in fuel prices during 1979, and the domestic industry has failed to shift its production to small cars as quickly as the market changed.

By investing over \$12 billion yearly through 1985, the industry is expected to increase its production of small cars from 1 million to 4 million units by model year 1982, and be in a strong competitive position for consumer demand for small cars at some point in the 1983-1985 model years. Nevertheless, this systematically higher and fixed investment commitment is a source of the industry's problems. A unit of lost sales during this transition period and under these investment conditions will produce a much greater negative cash impact than in previous recessions.

The temporary shortfall in the industry's ability to meet small car demand has contributed to a dramatic increase in the import penetration of small cars from Europe and Japan, reaching 27 percent in the first two months of 1980, from 18 percent in 1978. Our estimates indicate that advance orders of Japanese cars may push that figure past 31 percent in the next few months. I am concerned that these imports could eventually reach a level which would

threaten long-term injury to the automotive industry, its suppliers, and the industrial base that supports it. My staff is at work to determine what level of import penetration could cause such long term injury; initial results should be available Monday, March 17.

### The Import Issue

The Government of Japan has informally sought the views of our Government on whether Japan should voluntarily restrain its exports of automobiles to the United States. Imports from Japan comprise about 70 percent of combined imports from Japan and Europe. It is the view of trade officials in our Government that if we do not respond or respond neutrally, the Japanese are likely to impose export restraints. The other agencies on the Trade Policy Committee appear to have reached a consensus that we ought to oppose publicly voluntary export restraints by the Government of Japan.

While I cannot presently conclude that any restraints (voluntary or otherwise) are desirable, I do not think that the consensus position as it is presented frames the issue properly for a Presidential decision. A decision merely to support free trade without recognition of the possibility that in the coming six months auto imports could continue to grow to a level which might require re-examination of this issue leaves you in an inflexible position. Assuming that current import levels continue, and that there is no evidence of serious injury to our industrial base, we can continue to support a position of no voluntary restraints on Japanese exports. However, I would prefer that our position be open to recognize the unemployment and capital formation consequences of increasing import penetration, and that it recognize the possibility that imports at a higher level over an extended period of time would be unacceptable to the United States.

Thus, short term considerations argue for a position in favor of no voluntary restraints as the result of free trade and anti-inflation policies. However, over the long term, our concern should be that foreign auto imports not create a situation which jeopardizes the fundamental health of the U.S. auto industry and places it and its supporting industries and work force in a position from which there is no prospect of recovery.

### The Administration Position

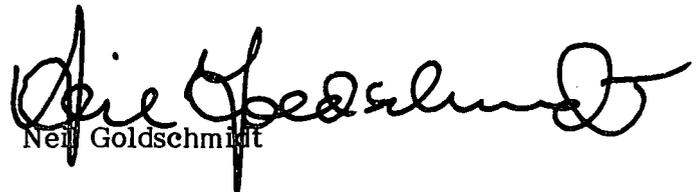
We could fairly appear in Congressional hearings at this time and say the following:

1. We do not favor restraints whether voluntary or legislative, at this time. We recognize that the energy conservation losses from artificially resisting consumer demand for more fuel efficient vehicles are inflationary, since they increase our imported oil bill. We recognize that such restraints could have an inflationary impact on the prices of small cars as the result of

reductions in their supply. Further, the automotive industry has not yet demonstrated that present levels of import penetration will seriously impair their ability to assemble the capital necessary to produce the fuel efficient cars which the market demands and U.S. Government policies have sought to encourage. Finally, while we are concerned about unemployment conditions in the industry, it is not now clear that restraints would necessarily provide significant relief from this unemployment. A marketplace in search of fuel efficient cars will not necessarily respond to restraints by purchases of less fuel efficient vehicles, as opposed to merely defining purchases of fuel efficient small cars.

2. However, we believe that this situation bears watching over the next few months. Market factors, including the continuing increase in the price of fuel and in the availability of imports, could lead to an unacceptable situation. During this transition period, import penetration could become largely permanent, thereby causing a permanent increase in unemployment and an irreparable weakening of U.S. manufacturing capability in the industry and the industrial base which supports it.

While opposing restraints at this time, the Department of Transportation accepts as its responsibility the need to monitor this situation very closely. We recommend that you agree that this could become a matter of more serious concern at some increased level of imports in the near future, and indicate, therefore, to the Congress that you have assigned responsibility to the appropriate agencies to monitor this situation closely and report to you each month.

  
Neil Goldschmidt

THE WHITE HOUSE  
WASHINGTON

March 14, 1980

FOR : RICK HUTCHESON/  
BILL SIMON

FROM : AL MCDONALD *AM*

Please add Fred Kahn's name to  
the staffing of the steel memo,  
as concurring with the Schultze/  
McIntyre position.

A handwritten signature in black ink, appearing to read "Al McDonald", is written in a cursive style. The signature is located in the lower right quadrant of the page.

THE WHITE HOUSE

WASHINGTON

March 17, 1980

MEMORANDUM FOR THE PRESIDENT

FROM : AL MCDONALD *AM*

SUBJECT: Extension of TPM

This is to add my voice to those officials in your Administration directly responsible for trade affairs, all of whom advocate an extension of the TPM for 90 days. Here are my major reasons:

1. The argument that abolition of the TPM would be an anti-inflation move may have some theoretical merit but pragmatically it is highly dubious. U.S. Steel is betting the other way with its suits, and Dick Cooper, one of the most respected economists in your Administration and the country, disagrees with this hypothesis.
2. Our negotiators (particularly Klutznick) have won a victory by narrowing the field to permit the status quo to continue. Although some officials not conducting the negotiations think they could have avoided all suits, in my view Klutznick has been successful by permitting the industry to remain stable rather than opening up an explosive situation in which no one knows for sure what will happen or how they could get it back under control. One can even argue that justice will be served by the filing of the two suits to test the validity of both the TPM and industry allegations of continued dumping. This is a fairer result than an extreme negotiations victory with all suits withdrawn.
3. As a result of Klutznick persuading the industry to move from their intent to file 12 suits down to two suits, the EEC has also shifted its position from opposition to acceptance. Responsibility for maintaining the status quo has thus shifted from the steel industry (whose limited actions the EEC says it can manage) to the U.S. Government (whose possible action to drop TPM the EEC views with alarm).

4. By extending the TPM, nothing in fact changes in the area of steel trade from the situation over the past year. Rather than moving into a period of great uncertainty, a stable and accepted situation can proceed with little risk during an orderly review of dumping rights under our law.
5. By dropping TPM at this point, we can expect heavy negative reaction from the EEC member states and domestically from Pennsylvania, Ohio and Indiana, in which the Administration will be blamed for triggering layoffs and plant closures. The criticisms will become particularly heavy if we are moving toward a recession in the coming months.
6. Finally, based on my two years as your Chief Trade Negotiator in Geneva, during which time I had continuing contact with the Congress and the advisory groups, I believe our country has a sharp protectionist bias. Only when we were able to neutralize the steel, textile and chemical industries were we assured of moving toward the legislative victory you obtained with the Tokyo Round results. Should the EEC move against Soya, we could shortly face in Congress a negative coalition between the above three Caucuses plus Agriculture which could produce some highly detrimental actions contrary to our anti-inflation needs and our export aims.

Therefore, I believe that pragmatism and continued stability argue for the extension of TPM at least until the two pending suits are resolved or an outbreak of new suits makes TPM irrelevant.

COUNCIL OF ECONOMIC ADVISERS  
WASHINGTON

CHARLES L. SCHULTZE, CHAIRMAN  
GEORGE C. EADS  
LYLE E. GRAMLEY

March 14, 1980

MEMORANDUM FOR RICK HUTCHESON

FROM: GEORGE EADS *GE*

SUBJECT: KLUTZNICK MEMO RE: PUBLICATION OF STEEL TRIGGER PRICES

It is our impression that this memo is being sent in to the President as part of a package of memos on the same subject. Our views are reflected in the memo that Secretary Miller is drafting.

If this understanding is correct, then we have no separate comments on the Klutznick memo other than that we strongly disagree with the conclusions.

We do believe, however, that the second quarter trigger price should be published - and soon. Our information confirms that failure to publish the trigger price is indeed drying up steel imports.

THE WHITE HOUSE  
WASHINGTON

Wed, 8:45 p.m.

Bill Simon-

I assume you have the original of this memo. Bill Mills, Charles Schulze, Jim McIntyre, & I disagree with the course of action that Phil Klutznick indicates he intends to take (see sidelined passage on page 2) unless he hears to the contrary from the President.

Would you please hold the original until we can provide you with a staffed out cover sheet, indicating the views of all those involved? We'll try to get it to you <sup>(today)</sup> Thursday.  
WOWen



March 12, 1980

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Publication of Steel Trigger Prices

I have given much thought to the discussions we have had with you on the steel issue. I continue to believe strongly that if maintaining TPM, at least temporarily, will limit the number of steel antidumping petitions filed, TPM should be maintained, at least on a tentative basis.

- o If antidumping petitions are filed against only two countries, the amount of trade impaired will be held to a minimum, there will be opportunity for substitution of steel from other foreign sources, and as a consequence the inflationary impact will be minimized. On the basis of our consultations with Commissioner Davignon (whom Roy Jenkins sent over, following his letter to you) Reubin Askew and I believe we can work out an approach with the Europeans which corrects whatever dumping is occurring in the U.S. market.
- o On the other hand, if the TPM is suspended and, as a result, the steel industry files sweeping complaints, the very strict nature of our antidumping laws will cause steel imports to dry up in a short time. This will have a direct and significant inflationary impact. It will put enormous strain on our political relations with Europe and our ability to manage an open international trading system. And, as Commissioner Davignon made clear during his visit this week, it is likely to open the way for protectionist measures in Europe which would reduce our \$3 billion in annual soybean exports to Europe and impair our healthy exports of textiles.

I recognize that the issues are complex and that your advisers do not unanimously agree with me on the implications of the course I advocate. The complexity of the issues, the highly-charged nature of the present environment, and the need for measured action on your part combine to suggest that it is in our best interest to defer what may well be the single most important trade decision of your Presidency.

The action I propose to take in regard to trigger prices would defer the need for immediate decision on the future of the TPM in the event only two antidumping cases are filed.

Trigger prices for the second quarter of 1980 should have been released a month ago. The second quarter begins April 1. In announcing the TPM program, the Administration said it would give between 45-60 days advance notice of quarterly trigger prices. We delayed announcement because of the industry's threat to file antidumping petitions. But steel imports are now being impaired by the absence of any announcement of the trigger price that will apply to shipments coming in after April 1. Orders for Japanese steel have, for example, virtually halted.

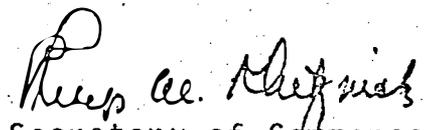
I propose that I announce second quarter trigger prices -- to continue at first quarter levels -- before the end of the week. My announcement should precede any filing of dumping petitions. If petitions are then filed, we have 20 days under the law to determine whether they provide a sufficient basis for initiating investigations. Only upon such a determination are the petitions "accepted".

These 20 days could be used to our benefit. The economic, trade and political implications of any decision on TPM could be carefully assessed. This time would also provide us a better opportunity to consult not only with the Europeans but also with the Japanese before we radically change the rules of the game under which they have, at our request, been operating during the past two years.

The decision to defer would not, of course, commit us one way or the other on maintaining TPM. The final decision to suspend or maintain TPM, under this proposal, would then be made in light of a full analysis of the petitions and the implications of suspending/maintaining TPM. It could be made at the end of the 20 days or at any later time in the investigation, when we will know more about the seriousness of the cases and their impact on the market.

It is of the utmost importance to our foreign trade relations, and to the steel industries in the U.S. and abroad, that some action be taken by the end of this week. Unless you indicate some other course of action is more appropriate, I propose to act as suggested above. -- This action would not change anything, and would leave all the options open for you to take such future action as you consider appropriate.

Mr. Askew concurs with the above comments and proposed course of action.

  
Secretary of Commerce



March 12, 1980

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Publication of Steel Trigger Prices

I have given much thought to the discussions we have had with you on the steel issue. I continue to believe strongly that if maintaining TPM, at least temporarily, will limit the number of steel antidumping petitions filed, TPM should be maintained, at least on a tentative basis.

- o If antidumping petitions are filed against only two countries, the amount of trade impaired will be held to a minimum, there will be opportunity for substitution of steel from other foreign sources, and as a consequence the inflationary impact will be minimized. On the basis of our consultations with Commissioner Davignon (whom Roy Jenkins sent over, following his letter to you) Reubin Askew and I believe we can work out an approach with the Europeans which corrects whatever dumping is occurring in the U.S. market.
- o On the other hand, if the TPM is suspended and, as a result, the steel industry files sweeping complaints, the very strict nature of our antidumping laws will cause steel imports to dry up in a short time. This will have a direct and significant inflationary impact. It will put enormous strain on our political relations with Europe and our ability to manage an open international trading system. And, as Commissioner Davignon made clear during his visit this week, it is likely to open the way for protectionist measures in Europe which would reduce our \$3 billion in annual soybean exports to Europe and impair our healthy exports of textiles.

I recognize that the issues are complex and that your advisers do not unanimously agree with me on the implications of the course I advocate. The complexity of the issues, the highly-charged nature of the present environment, and the need for measured action on your part combine to suggest that it is in our best interest to defer what may well be the single most important trade decision of your Presidency.

The action I propose to take in regard to trigger prices would defer the need for immediate decision on the future of the TPM in the event only two antidumping cases are filed.

Trigger prices for the second quarter of 1980 should have been released a month ago. The second quarter begins April 1. In announcing the TPM program, the Administration said it would give between 45-60 days advance notice of quarterly trigger prices. We delayed announcement because of the industry's threat to file antidumping petitions. But steel imports are now being impaired by the absence of any announcement of the trigger price that will apply to shipments coming in after April 1. Orders for Japanese steel have, for example, virtually halted.

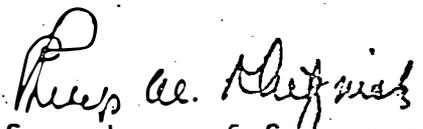
I propose that I announce second quarter trigger prices -- to continue at first quarter levels -- before the end of the week. My announcement should precede any filing of dumping petitions. If petitions are then filed, we have 20 days under the law to determine whether they provide a sufficient basis for initiating investigations. Only upon such a determination are the petitions "accepted".

These 20 days could be used to our benefit. The economic, trade and political implications of any decision on TPM could be carefully assessed. This time would also provide us a better opportunity to consult not only with the Europeans but also with the Japanese before we radically change the rules of the game under which they have, at our request, been operating during the past two years.

The decision to defer would not, of course, commit us one way or the other on maintaining TPM. The final decision to suspend or maintain TPM, under this proposal, would then be made in light of a full analysis of the petitions and the implications of suspending/maintaining TPM. It could be made at the end of the 20 days or at any later time in the investigation, when we will know more about the seriousness of the cases and their impact on the market.

It is of the utmost importance to our foreign trade relations, and to the steel industries in the U.S. and abroad, that some action be taken by the end of this week. Unless you indicate some other course of action is more appropriate, I propose to act as suggested above. --This action would not change anything, and would leave all the options open for you to take such future action as you consider appropriate.

Mr. Askew concurs with the above comments and proposed course of action.

  
Secretary of Commerce

Date: 15 MARCH 1980

MEMORANDUM

**FOR ACTION:**

EIZENSTAT  
MCDONALD  
MOORE *nc*  
BUTLER *nc*  
MCINTYRE *attached*

**FOR INFORMATION:**

VICE PRESIDENT  
SCHULTZE - *attached*  
KAHN  
BRZEZINSKI

**FROM:** Rick Hutcheson, Staff Secretary

**SUBJECT:** ASKEW MEMO, "AUTOMOBILE IMPORTS"  
GOLDSCHMIDT MEMO, "AUTOMOBILE IMPORTS"

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

**TIME:** 12:00 PM

**DAY:** MONDAY

**DATE:** 17 MARCH 1980

**ACTION REQUESTED:**

Your comments  
**Other:**

**STAFF RESPONSE:**

I concur.  No comment.  
*Please note other comments below:*

**PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.**

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

Original to  
Camp David

THE UNITED STATES TRADE REPRESENTATIVE  
WASHINGTON  
20506

ACTION MARCH 14, 1980  
MEMORANDUM FOR: THE PRESIDENT  
FROM: REUBIN O'D. ASKEW  
SUBJECT: Automobile Imports



Background

Imported autos have dramatically increased their share of the U.S. market from 17.7 percent in 1978 and 21.8 percent in 1979 to 25.8 percent in the quarter ending February 1980. Japanese imports have increased their share of the U.S. market from 12 percent in 1978 and 16.6 percent in 1979 to 21.1 percent in the quarter ending February 1980.

The loss of market share by U.S. producers over the last year is due to a major shift in consumer preference for small, fuel-efficient, high quality cars and the short-run inability of U.S. producers to meet that demand. Gasoline shortages, long gas station lines, and rapidly rising gas prices during 1979 led to increased demand for fuel-efficient cars and depressed sales of large, fuel-inefficient cars. This has resulted in the indefinite layoff of 175-200,000 U.S. auto workers and concern by U.S. firms for their economic viability.

U.S. manufacturers are responding by developing new, small cars and converting production lines from large to small cars as fast as possible. U.S. producers are selling virtually all the small cars they can produce, but they are unable currently to meet consumer demand. Japanese producers are well positioned with their export orientation and their small, fuel-efficient, high quality cars to meet consumer demand and have actively pursued this opportunity. Under current plans U.S. manufacturers expect to more than triple production of small cars between now and the end of model year 1982 and have enough new models and production capacity for small cars to meet consumer demand at some point in the 1983-85 model years.

So far the problems of U.S. manufacturers have not been due entirely to import competition; overall demand for autos has also declined as a result of higher car prices and rising interest rates. The prospective tightening of consumer credit may prolong and even deepen the decline in demand.

To date, we have told the Japanese that economically sound Japanese investment in production facilities in the U.S. and increased Japanese imports of U.S. autos and parts would be politically helpful in holding off legislation to restrict imports. Honda, the third largest Japanese exporter to the U.S., has announced plans to build a production facility in Ohio. The two largest Japanese exporters, Toyota and Nissan (Datsun), have indicated they are considering investment, but remain reluctant to commit themselves despite pressure from the Japanese Government to do so. To address the current problem in the U.S. auto industry, Toyota and Nissan have indicated an interest in investing in light truck production but appear to prefer to restrict exports rather than invest in auto production in the U.S. Their reluctance to invest stems from many concerns, including: a) U.S. labor costs twice as high as Japanese; b) their perception of more difficult labor relations problems in the U.S.; c) their long-run competitiveness in the U.S. in light of impending growth of U.S. small car production. Some progress has been made in opening up the Japanese market to U.S. cars and parts and we are in the midst of negotiations with the Japanese on further access. But the market for U.S. exports to Japan has been small (19,000 autos in 1979).

The UAW, with the support of some manufacturers, has called for temporary reductions in imports of Japanese autos and for investments by Japanese manufacturers in production facilities in the U.S. UAW President Fraser visited Japan in February to increase Japanese awareness of U.S. auto problems. Fraser has also announced his intention to propose legislation requiring a high percentage of U.S. content in autos imported by large volume producers. Such legislation would restrict imports and violate our obligations under the General Agreement on Tariffs and Trade, though a number of less developed countries have such requirements. It could trigger similar action by additional countries, thereby impairing the efforts of U.S. manufacturers to produce a world car. In March 7 hearings before the House Subcommittee on Trade, Chairman Vanik and Mr. Fraser agreed that a good solution to the problem would be for the Japanese to restrain exports at 1977 levels (a 20 percent reduction from 1979 levels) and invest in the U.S.

Conceivably, import restrictions could have some favorable impact on jobs and profits in the auto industry. But this would be accomplished at the expense of higher average prices for automobiles and increased fuel consumption at a time when reducing inflation and promoting energy conservation are paramount national objectives.

The industry and union also have legal redress. If they believe they can prove that imports are a substantial cause of injury, they have the option to petition the ITC for import relief under the Section 201 escape clause. While we understand they are considering such action, no petition has yet been filed. They may have difficulty proving injury since U.S. manufacturers claim they are selling all the small cars they can produce. The UAW points out, however, that two U.S. models, Ford Fairmont and Mercury Zephyr, which are not being produced at full capacity, are competitive with the fuel efficiency of larger Japanese imports.

#### Administration Response

I may personally testify on March 18 before Vanik's Trade Subcommittee of Ways and Means. We will say that in the absence of legal authority, we cannot discuss, or encourage either directly or indirectly, a voluntary export restraint agreement with the Japanese. While we are sensitive to the consequences of the problems facing the auto industry and those who have been either temporarily or indefinitely laid-off, there is a serious question as to whether any restraint on imports of fuel-efficient cars would result in a significant increase in the production and sale of less fuel-efficient American cars. We do not believe a reduction in the availability of fuel-efficient automobiles is in the best interest of American consumers. We continue to believe that the proper course is to encourage the Japanese to give consideration to economically viable investment in production facilities in the United States and to provide for better access to the Japanese market for U.S. autos and parts. Furthermore, if the Japanese do restrain their sales to us, it would relieve the pressure we have tried to generate on them to make economically sound investments in this country. We will add that if the companies or unions feel they are being injured by imports, the legal framework exists for them to initiate proceedings that could result in the consideration of import or export restraints. In addition, if the Administration or the International Trade Commission or the Ways and Means Committee or the Finance Committee feels that such restraints should be considered, they can initiate these proceedings.

The Labor and Transportation Departments (see attached statement) differ from this view in that they do not believe we should discourage voluntary export restraint by the Japanese at this time. They would prefer to keep this possibility of unilateral action by the Japanese open since they believe it could be useful in the future in dealing quickly with job losses and industry disruption caused by increased market penetration by imports from Japan.

Option I (USTR, State, Treasury, NSC, Commerce, Energy, CEA, and CWPS)

Discourage the Japanese from restraining exports of automobiles.

Approve \_\_\_\_\_

Disapprove \_\_\_\_\_

Let's discuss \_\_\_\_\_

Option II (Labor, Transportation)

Do not discourage the Japanese from restraining exports at this time.

Approve \_\_\_\_\_

Disapprove \_\_\_\_\_

Let's discuss \_\_\_\_\_



THE SECRETARY OF TRANSPORTATION  
WASHINGTON, D.C. 20590

March 14, 1980

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Automobile Imports

The Auto Problem

The automotive sector is vital to the economy. It employs directly or indirectly about three million people and accounts for approximately four percent of the GNP. The industry estimates that as many as 14 million jobs, or about one in six in the U.S., are related to the motor vehicle industry as a whole. It consumes over a fifth of the nation's steel output, over half of its rubber, one-fourth of its glass, and a large percentage of copper, lead, aluminum and other commodities. Currently, however, the automotive industry is in a serious recession, resulting in the indefinite layoff of 175-200,000 U.S. auto workers. This recession appears to be due to a number of factors, including general economic conditions, the high cost of credit, and rapidly changing consumer preferences for smaller, more fuel efficient vehicles. This change in consumer demand has been caused by the rapid increase in fuel prices during 1979, and the domestic industry has failed to shift its production to small cars as quickly as the market changed.

By investing over \$12 billion yearly through 1985, the industry is expected to increase its production of small cars from 1 million to 4 million units by model year 1982, and be in a strong competitive position for consumer demand for small cars at some point in the 1983-1985 model years. Nevertheless, this systematically higher and fixed investment commitment is a source of the industry's problems. A unit of lost sales during this transition period and under these investment conditions will produce a much greater negative cash impact than in previous recessions.

The temporary shortfall in the industry's ability to meet small car demand has contributed to a dramatic increase in the import penetration of small cars from Europe and Japan, reaching 27 percent in the first two months of 1980, from 18 percent in 1978. Our estimates indicate that advance orders of Japanese cars may push that figure past 31 percent in the next few months. I am concerned that these imports could eventually reach a level which would

threaten long-term injury to the automotive industry, its suppliers, and the industrial base that supports it. My staff is at work to determine what level of import penetration could cause such long term injury; initial results should be available Monday, March 17.

### The Import Issue

The Government of Japan has informally sought the views of our Government on whether Japan should voluntarily restrain its exports of automobiles to the United States. Imports from Japan comprise about 70 percent of combined imports from Japan and Europe. It is the view of trade officials in our Government that if we do not respond or respond neutrally, the Japanese are likely to impose export restraints. The other agencies on the Trade Policy Committee appear to have reached a consensus that we ought to oppose publicly voluntary export restraints by the Government of Japan.

While I cannot presently conclude that any restraints (voluntary or otherwise) are desirable, I do not think that the consensus position as it is presented frames the issue properly for a Presidential decision. A decision merely to support free trade without recognition of the possibility that in the coming six months auto imports could continue to grow to a level which might require re-examination of this issue leaves you in an inflexible position. Assuming that current import levels continue, and that there is no evidence of serious injury to our industrial base, we can continue to support a position of no voluntary restraints on Japanese exports. However, I would prefer that our position be open to recognize the unemployment and capital formation consequences of increasing import penetration, and that it recognize the possibility that imports at a higher level over an extended period of time would be unacceptable to the United States.

Thus, short term considerations argue for a position in favor of no voluntary restraints as the result of free trade and anti-inflation policies. However, over the long term, our concern should be that foreign auto imports not create a situation which jeopardizes the fundamental health of the U.S. auto industry and places it and its supporting industries and work force in a position from which there is no prospect of recovery.

### The Administration Position

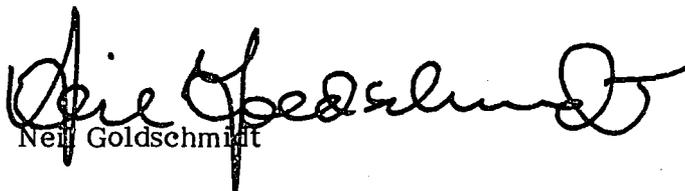
We could fairly appear in Congressional hearings at this time and say the following:

1. We do not favor restraints whether voluntary or legislative, at this time. We recognize that the energy conservation losses from artificially resisting consumer demand for more fuel efficient vehicles are inflationary, since they increase our imported oil bill. We recognize that such restraints could have an inflationary impact on the prices of small cars as the result of

reductions in their supply. Further, the automotive industry has not yet demonstrated that present levels of import penetration will seriously impair their ability to assemble the capital necessary to produce the fuel efficient cars which the market demands and U.S. Government policies have sought to encourage. Finally, while we are concerned about unemployment conditions in the industry, it is not now clear that restraints would necessarily provide significant relief from this unemployment. A marketplace in search of fuel efficient cars will not necessarily respond to restraints by purchases of less fuel efficient vehicles, as opposed to merely defining purchases of fuel efficient small cars.

2. However, we believe that this situation bears watching over the next few months. Market factors, including the continuing increase in the price of fuel and in the availability of imports, could lead to an unacceptable situation. During this transition period, import penetration could become largely permanent, thereby causing a permanent increase in unemployment and an irreparable weakening of U.S. manufacturing capability in the industry and the industrial base which supports it.

While opposing restraints at this time, the Department of Transportation accepts as its responsibility the need to monitor this situation very closely. We recommend that you agree that this could become a matter of more serious concern at some increased level of imports in the near future, and indicate, therefore, to the Congress that you have assigned responsibility to the appropriate agencies to monitor this situation closely and report to you each month.

  
Neil Goldschmidt

THE CHAIRMAN OF THE  
COUNCIL OF ECONOMIC ADVISERS  
WASHINGTON

March 17, 1980

MEMORANDUM FOR THE PRESIDENT

From: Charlie Schultze <sup>CLS</sup>

Subject: Automobile Imports from Japan: Memos from  
STR and Department of Transportation

During the coming weeks and months, the public will be watching our actions closely to ascertain the seriousness of our commitment to reducing inflation. It is well-understood that the economic effects of an automobile export restraint program enacted voluntarily by Japan are the same as those of a quota imposed by the United States. Reducing Japanese imports by 250,000 cars through either action would add \$1 to \$2 billion to consumer costs (about \$150-200 per car) and reduce the fuel economy of our auto fleet. Its contribution to the solution of the production and employment problems of the auto industry would be modest.

In this situation, I believe it imperative that we publicly discourage the Japanese from imposing a voluntary export restraint program. Moreover, I see no need to hint -- as Secretary Goldschmidt would have us do -- that we might shortly change our minds. I think this simply invites trouble.



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

MEMORANDUM FOR RICK HUTCHESON

FROM: Randy Jayne

SUBJECT: Askew and Goldschmidt Memos on Auto Imports

OMB strongly favors the position recommended by Askew that the Administration not encourage the Japanese voluntarily to restrain auto exports to the U.S. The U.S. auto industry should use the import relief procedures established by law if it feels it can prove injury.

We point out, however, that the Askew memo inaccurately characterizes the Transportation position. Rather than favoring Japanese export restraints, Goldschmidt favors no restrictive action now but a close monitoring to assure that import penetration does not reach a level that would cause permanent injury. OMB does not support this approach since it implies that the USG would act even in the absence of a finding of injury under our import relief laws. The burden should remain with the domestic auto industry to make its case.

A handwritten signature in black ink, appearing to read "Randy Jayne", written over a large, stylized "X" mark.

Date: 15 MARCH 1980

MEMORANDUM

## FOR ACTION:

EIZENSTAT  
MCDONALD  
MOORE  
BUTLER  
MCINTYRE

## FOR INFORMATION:

VICE PRESIDENT  
SCHULTZE  
KAHN  
BRZEZINSKI

FROM: Rick Hutcheson, Staff Secretary

SUBJECT: ASKEW MEMO, "AUTOMOBILE IMPORTS"

GOLDSCHMIDT MEMO, "AUTOMOBILE IMPORTS"

YOUR RESPONSE MUST BE DELIVERED  
TO THE STAFF SECRETARY BY:

TIME: 12:00 PM

DAY: MONDAY

DATE: 17 MARCH 1980

## ACTION REQUESTED:

 Your comments

Other:

## STAFF RESPONSE:

 I concur. No comment.*Please note other comments below:***PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.**

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

Original to  
Camp David

THE UNITED STATES TRADE REPRESENTATIVE  
WASHINGTON  
20506

ACTION MARCH 14, 1980  
MEMORANDUM FOR: THE PRESIDENT  
FROM: REUBIN O'D. ASKEW *RA.*  
SUBJECT: Automobile Imports

Background

Imported autos have dramatically increased their share of the U.S. market from 17.7 percent in 1978 and 21.8 percent in 1979 to 25.8 percent in the quarter ending February 1980. Japanese imports have increased their share of the U.S. market from 12 percent in 1978 and 16.6 percent in 1979 to 21.1 percent in the quarter ending February 1980.

The loss of market share by U.S. producers over the last year is due to a major shift in consumer preference for small, fuel-efficient, high quality cars and the short-run inability of U.S. producers to meet that demand. Gasoline shortages, long gas station lines, and rapidly rising gas prices during 1979 led to increased demand for fuel-efficient cars and depressed sales of large, fuel-inefficient cars. This has resulted in the indefinite layoff of 175-200,000 U.S. auto workers and concern by U.S. firms for their economic viability.

U.S. manufacturers are responding by developing new, small cars and converting production lines from large to small cars as fast as possible. U.S. producers are selling virtually all the small cars they can produce, but they are unable currently to meet consumer demand. Japanese producers are well positioned with their export orientation and their small, fuel-efficient, high quality cars to meet consumer demand and have actively pursued this opportunity. Under current plans U.S. manufacturers expect to more than triple production of small cars between now and the end of model year 1982 and have enough new models and production capacity for small cars to meet consumer demand at some point in the 1983-85 model years.

So far the problems of U.S. manufacturers have not been due entirely to import competition; overall demand for autos has also declined as a result of higher car prices and rising interest rates. The prospective tightening of consumer credit may prolong and even deepen the decline in demand.

To date, we have told the Japanese that economically sound Japanese investment in production facilities in the U.S. and increased Japanese imports of U.S. autos and parts would be politically helpful in holding off legislation to restrict imports. Honda, the third largest Japanese exporter to the U.S., has announced plans to build a production facility in Ohio. The two largest Japanese exporters, Toyota and Nissan (Datsun), have indicated they are considering investment, but remain reluctant to commit themselves despite pressure from the Japanese Government to do so. To address the current problem in the U.S. auto industry, Toyota and Nissan have indicated an interest in investing in light truck production but appear to prefer to restrict exports rather than invest in auto production in the U.S. Their reluctance to invest stems from many concerns, including: a) U.S. labor costs twice as high as Japanese; b) their perception of more difficult labor relations problems in the U.S.; c) their long-run competitiveness in the U.S. in light of impending growth of U.S. small car production. Some progress has been made in opening up the Japanese market to U.S. cars and parts and we are in the midst of negotiations with the Japanese on further access. But the market for U.S. exports to Japan has been small (19,000 autos in 1979).

The UAW, with the support of some manufacturers, has called for temporary reductions in imports of Japanese autos and for investments by Japanese manufacturers in production facilities in the U.S. UAW President Fraser visited Japan in February to increase Japanese awareness of U.S. auto problems. Fraser has also announced his intention to propose legislation requiring a high percentage of U.S. content in autos imported by large volume producers. Such legislation would restrict imports and violate our obligations under the General Agreement on Tariffs and Trade, though a number of less developed countries have such requirements. It could trigger similar action by additional countries, thereby impairing the efforts of U.S. manufacturers to produce a world car. In March 7 hearings before the House Subcommittee on Trade, Chairman Vanik and Mr. Fraser agreed that a good solution to the problem would be for the Japanese to restrain exports at 1977 levels (a 20 percent reduction from 1979 levels) and invest in the U.S.

Conceivably, import restrictions could have some favorable impact on jobs and profits in the auto industry. But this would be accomplished at the expense of higher average prices for automobiles and increased fuel consumption at a time when reducing inflation and promoting energy conservation are paramount national objectives.

The industry and union also have legal redress. If they believe they can prove that imports are a substantial cause of injury, they have the option to petition the ITC for import relief under the Section 201 escape clause. While we understand they are considering such action, no petition has yet been filed. They may have difficulty proving injury since U.S. manufacturers claim they are selling all the small cars they can produce. The UAW points out, however, that two U.S. models, Ford Fairmont and Mercury Zephyr, which are not being produced at full capacity, are competitive with the fuel efficiency of larger Japanese imports.

#### Administration Response

I may personally testify on March 18 before Vanik's Trade Subcommittee of Ways and Means. We will say that in the absence of legal authority, we cannot discuss, or encourage either directly or indirectly, a voluntary export restraint agreement with the Japanese. While we are sensitive to the consequences of the problems facing the auto industry and those who have been either temporarily or indefinitely laid-off, there is a serious question as to whether any restraint on imports of fuel-efficient cars would result in a significant increase in the production and sale of less fuel-efficient American cars. We do not believe a reduction in the availability of fuel-efficient automobiles is in the best interest of American consumers. We continue to believe that the proper course is to encourage the Japanese to give consideration to economically viable investment in production facilities in the United States and to provide for better access to the Japanese market for U.S. autos and parts. Furthermore, if the Japanese do restrain their sales to us, it would relieve the pressure we have tried to generate on them to make economically sound investments in this country. We will add that if the companies or unions feel they are being injured by imports, the legal framework exists for them to initiate proceedings that could result in the consideration of import or export restraints. In addition, if the Administration or the International Trade Commission or the Ways and Means Committee or the Finance Committee feels that such restraints should be considered, they can initiate these proceedings.

The Labor and Transportation Departments (see attached statement) differ from this view in that they do not believe we should discourage voluntary export restraint by the Japanese at this time. They would prefer to keep this possibility of unilateral action by the Japanese open since they believe it could be useful in the future in dealing quickly with job losses and industry disruption caused by increased market penetration by imports from Japan.

Option I (USTR, State, Treasury, NSC, Commerce, Energy, CEA, and CWPS)

Discourage the Japanese from restraining exports of automobiles,

Approve \_\_\_\_\_

Disapprove \_\_\_\_\_

Let's discuss \_\_\_\_\_

Option II (Labor, Transportation)

Do not discourage the Japanese from restraining exports at this time.

Approve \_\_\_\_\_

Disapprove \_\_\_\_\_

Let's discuss \_\_\_\_\_



THE SECRETARY OF TRANSPORTATION

WASHINGTON, D.C. 20590

March 14, 1980

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Automobile Imports

The Auto Problem

The automotive sector is vital to the economy. It employs directly or indirectly about three million people and accounts for approximately four percent of the GNP. The industry estimates that as many as 14 million jobs, or about one in six in the U.S., are related to the motor vehicle industry as a whole. It consumes over a fifth of the nation's steel output, over half of its rubber, one-fourth of its glass, and a large percentage of copper, lead, aluminum and other commodities. Currently, however, the automotive industry is in a serious recession, resulting in the indefinite layoff of 175-200,000 U.S. auto workers. This recession appears to be due to a number of factors, including general economic conditions, the high cost of credit, and rapidly changing consumer preferences for smaller, more fuel efficient vehicles. This change in consumer demand has been caused by the rapid increase in fuel prices during 1979, and the domestic industry has failed to shift its production to small cars as quickly as the market changed.

By investing over \$12 billion yearly through 1985, the industry is expected to increase its production of small cars from 1 million to 4 million units by model year 1982, and be in a strong competitive position for consumer demand for small cars at some point in the 1983-1985 model years. Nevertheless, this systematically higher and fixed investment commitment is a source of the industry's problems. A unit of lost sales during this transition period and under these investment conditions will produce a much greater negative cash impact than in previous recessions.

The temporary shortfall in the industry's ability to meet small car demand has contributed to a dramatic increase in the import penetration of small cars from Europe and Japan, reaching 27 percent in the first two months of 1980, from 18 percent in 1978. Our estimates indicate that advance orders of Japanese cars may push that figure past 31 percent in the next few months. I am concerned that these imports could eventually reach a level which would

threaten long-term injury to the automotive industry, its suppliers, and the industrial base that supports it. My staff is at work to determine what level of import penetration could cause such long term injury; initial results should be available Monday, March 17.

### The Import Issue

The Government of Japan has informally sought the views of our Government on whether Japan should voluntarily restrain its exports of automobiles to the United States. Imports from Japan comprise about 70 percent of combined imports from Japan and Europe. It is the view of trade officials in our Government that if we do not respond or respond neutrally, the Japanese are likely to impose export restraints. The other agencies on the Trade Policy Committee appear to have reached a consensus that we ought to oppose publicly voluntary export restraints by the Government of Japan.

While I cannot presently conclude that any restraints (voluntary or otherwise) are desirable, I do not think that the consensus position as it is presented frames the issue properly for a Presidential decision. A decision merely to support free trade without recognition of the possibility that in the coming six months auto imports could continue to grow to a level which might require re-examination of this issue leaves you in an inflexible position. Assuming that current import levels continue, and that there is no evidence of serious injury to our industrial base, we can continue to support a position of no voluntary restraints on Japanese exports. However, I would prefer that our position be open to recognize the unemployment and capital formation consequences of increasing import penetration, and that it recognize the possibility that imports at a higher level over an extended period of time would be unacceptable to the United States.

Thus, short term considerations argue for a position in favor of no voluntary restraints as the result of free trade and anti-inflation policies. However, over the long term, our concern should be that foreign auto imports not create a situation which jeopardizes the fundamental health of the U.S. auto industry and places it and its supporting industries and work force in a position from which there is no prospect of recovery.

### The Administration Position

We could fairly appear in Congressional hearings at this time and say the following:

1. We do not favor restraints whether voluntary or legislative, at this time. We recognize that the energy conservation losses from artificially resisting consumer demand for more fuel efficient vehicles are inflationary, since they increase our imported oil bill. We recognize that such restraints could have an inflationary impact on the prices of small cars as the result of

reductions in their supply. Further, the automotive industry has not yet demonstrated that present levels of import penetration will seriously impair their ability to assemble the capital necessary to produce the fuel efficient cars which the market demands and U.S. Government policies have sought to encourage. Finally, while we are concerned about unemployment conditions in the industry, it is not now clear that restraints would necessarily provide significant relief from this unemployment. A marketplace in search of fuel efficient cars will not necessarily respond to restraints by purchases of less fuel efficient vehicles, as opposed to merely defining purchases of fuel efficient small cars.

2. However, we believe that this situation bears watching over the next few months. Market factors, including the continuing increase in the price of fuel and in the availability of imports, could lead to an unacceptable situation. During this transition period, import penetration could become largely permanent, thereby causing a permanent increase in unemployment and an irreparable weakening of U.S. manufacturing capability in the industry and the industrial base which supports it.

While opposing restraints at this time, the Department of Transportation accepts as its responsibility the need to monitor this situation very closely. We recommend that you agree that this could become a matter of more serious concern at some increased level of imports in the near future, and indicate, therefore, to the Congress that you have assigned responsibility to the appropriate agencies to monitor this situation closely and report to you each month.

  
Neil Goldschmidt