Trip to California, Florida, Georgia, Detroit, Alaska and Japan, 7/3/80-7/17/80 [2]

WITHDRAWAL SHEET (PRESIDENTIAL LIBRARIES)

FORM OF DOCUMENT	CORRESPONDENTS OR TITLE	DATE	RESTRICTION
memo w/att.	From Eizenstat to The President (26 pp.) re: Duties on imported trucks 1-A GE OPENED 6/11/99 8 pp. declassified per RAC NLC-126-22-4-1-2 } 1/9/14 18 pp. declassified per RAC NLC-126-22-4-2-1	7/7/80	A
~~telegram w/ att.~~	~~From Simon to Clough (5 pp.) re: Use of U.S. Flag and National Anthem at Moscow Olympics~~ OPENED 6/11/99	~~7/3/80~~	~~A~~
Letter w/ att.	From Trudeau to The President (6 pp.) re:Alaska Natural Gas	7/17/80	A
~~memo w/att.~~	~~From Eizenstat to The President (5 pp.) re: Agreement with Canadians on Alaskan Pipeline~~ OPENED 6/11/99	~~7/18/80~~	~~A~~
~~memo w/att.~~	~~From Brzezinski to The President (3 pp.) re: High Level Delegation to Innauguration of the Peruvian President~~ OPENED 6/11/99	~~7/11/80~~	~~A~~

FILE LOCATION

Carter Presidential Papers- Staff Offices, Office of the Staff SEc.- Pres. Handwriting File Trip to California , Florida,Georgia,Detroit,Alaska and Japan 7/3/80-7/17/80 [2] BOX 195

RESTRICTION CODES

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WITHDRAWAL SHEET (PRESIDENTIAL LIBRARIES)

FORM OF DOCUMENT	CORRESPONDENTS OR TITLE	DATE	RESTRICTION
memo	Askew to Carter 8pp	6/30/80	A

FILE LOCATION

Staff Secretary, Handwriting File, Trip to California, Florida, Georgia, Detroit, Alaska, Japan 7/3/80-7/17/80 (2)

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.
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TO : WARREN CHRISTOPTER
ZBIGNIEW BRZEGINSKI
LLOYD CUTLER
FROM: PRESIDENT CARTER - SC
BT
I DO NOT WANT THE U S FLAG OR ANTHEM TO BE USED
AT THE MOSCOW OLYMPICSM
7-3180

NNNNN

UNCLASSIFIED

Received
2155 Z
Jerry R Buell
Radio Operator

HODDING CARTER HAS STATED THAT THE USG OPPOSED THE FLYING OF THE FLAG, BUT THAT THE MATTER WAS UP TO THE USOC.

LORD KILLANIN HAS TOLD LAOOC OFFICIALS THAT HE REQUESTED PERMISSION TO HAVE THE FLAG FLOWN DURING HIS MEETING WITH YOU AND THAT YOU AGREED TO IT. WARREN CHRISTOPHER AND I HAVE NO RECOLLECTION OF SUCH AN EXCHANGE, AND THE MEMCON OF THE MEETING DOES NOT MENTION IT. KILLANIN HAS A COPY OF THE MEMCON, AND HAS NOT RAISED THE ISSUE WITH US.

ON BALANCE, CHRIS AND I BELIEVE THAT WE SHOULD NOT OBJECT TO THE IOC BRIEFLY RAISING THE FLAG AND PLAYING THE ANTHEM AT THE CLOSING CEREMONIES. WE CANNOT PHYSICALLY PREVENT IT ANYWAY.

RAISING THE FLAG TO CONFIRM THE ANNOUNCEMENT OF THE 1984 GAMES IN LOS ANGELES IS A PLUS, SINCE IT NEGATES FURTHER SPECULATION THAT THE IOC WILL CANCEL AND MAKES IT HARDER FOR THE SOVIETS TO BOYCOTT. IT SIMPLY INDICATES OUR SUPPORT FOR THE OLYMPIC MOVEMENT WHICH YOU HAVE REAFFIRMED ON MANY OCCASIONS.

WE RECOMMEND THAT IF BRADLEY RAISES THE POINT YOU REPLY THAT WE WILL STUDY THE MATTER. MEANWHILE WE WILL CONSULT WATSON AND ASK IF HE HAS ANY STRONG OBJECTION TO PERMITTING THIS LIMITED USE OF THE FLAG AND ANTHEM. WE WILL GIVE YOU FINAL RECOMMENDATION AFTER HEARING FROM WATSON.

MEMORANDUM OF PRESIDENTIAL CALL

NAME MRS. LINDY BOGGS

TITLE MEMBER-U.S. HOUSE OF REPRESENTATIVES
CITY/STATE (D-LOUISIANA) REQUESTED BY JIM FREE

PHONE NUMBER -HOME ( ) 265-6971 DATE OF REQUEST JULY 3, 1980
WORK ( ) 225-6636
OTHER (504)581-2590

INFORMATION (CONTINUED ON BACK IF NECESSARY)

THE FILING DEADLINE FOR CONGRESSIONAL RACES IN LOUISIANA IS JULY 11TH. CONGRESSWOMAN LINDY BOGGS HAS TOLD SEVERAL PEOPLE THAT SHE IS CONSIDERING NOT RUNNING FOR REELECTION. THE MAJOR PROBLEM KEEPING HER FROM THIS DECISION IS THAT SHE CAN FIND NO ONE TO RUN IN HER PLACE. LOCAL NEW ORLEANS POLITICIANS CLAIM WITHOUT LINDY ON THE BALLOT WE COULD LOSE THE SEAT AND GREATLY HURT THE CARTER-MONDALE RESULTS. LINDY'S SON TOMMY CLAIMS THAT ENCOURAGEMENT FROM YOU WOULD HAVE MAXIMUM BEARING ON HER DECISION. WITH THE RACE IN LOUISIANA

END OF PAGE 02

UNCLASSIFIED

UNCLASSIFIED

Received
2155 Z
Jerry R Buell
Radio Operator

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END OF PAGE 02

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Received
2155 Z
Jerry R Bull
Radio Operator

BETWEEN YOU AND REAGAGFBEING AS CLOSE AS IT APPEARS TO BE, THE MARGIN OF OUR WIN IN THE NEW ORLEANS AREA WILL DETERMINE WHICH WAY THE STATE GOES ON NOVEMBER 4TH.

CONGRESSWOMAN BOGGS, BY THE WAY, SERVED ON THE PLATFORM DRAFTING SUBCOMMITTEE AND THEN STAYED FOR THE FULL COMMITTEE MEETING. SHE STAYED LATE EVERY NIGHT AND SERVED YOU WELL.

TALKING POINTS:

1. THANK MRS. BOGGS FOR HER SUPPORT AND LONG HOURS DURING THE PLATFORM COMMITTEE MEETINGS. TELL HER YOU HEARD ABOUT HER YEOMAN'S SERVICE AND LONG HOURS.
2. TELL HER HOW IMPORTANT LOUISIANA IS IN YOUR REELECTION STRATEGY.
3. THANK HER FOR HER ADVICE AND SUPPORT IN CONGRESS OVER THE PAST FOUR YEARS AND TELL HER YOU'E HEARD SHE MAY NOT RUN AGAIN. EXPLAIN HOW HER RUNNING ONE MORE TIME HELPS YOUR REELECTION BUT ALSO HOW KEEPING HER IN CONGRESS MEANS SO MUCH TO THE COUNTRY AND TO THE PARTY.

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#5044

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DTG ~~Received~~ 0323102 Jul 80

TOR (Received) 0323372 Jul 80 (4:37 pm)

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

C

~~CONFIDENTIAL~~

July 3, 1980

MEMORANDUM FOR: THE PRESIDENT

FROM: ZBIGNIEW BRZEZINSKI

SUBJECT: Hosting the American Flag at Closing Ceremonies of Moscow Olympics

Lloyd Cutler and Warren Christopher have recommended to you that we not object to raising the U.S. flag and playing the national anthem at the close of the Moscow Olympics. This is a poor idea under any circumstances. Such an action would be seized upon and played as a symbol of the failure of the Olympic boycott and would reflect on you directly.

The fear that our failure to cooperate could place the 1984 Los Angeles games in jeopardy is unfounded. IOC action to move or cancel the 1984 games would require courage and leadership in a measure which the IOC has been totally unable to display to date.

It is my view we should resist by all available means any attempt to display the U.S. flag or play the U.S. anthem in Moscow. Other countries engaged in the boycott have issued very explicit instructions that their flag is not to be used under any circumstances and some are prepared to take drastic action to prevent it. As the leader of the boycott we must be prepared to do no less.

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

THE WHITE HOUSE

WASHINGTON

July 3, 1980

MEMORANDUM FOR THE PRESIDENT

FROM: LLOYD CUTLER

SUBJECT: Hoisting of American Flag at Closing Ceremonies of Moscow Olympics

Mayor Bradley may well raise with you the question of whether the American flag can be raised at the closing ceremonies of the Moscow Olympics.

The rules of the International Olympic Committee (IOC) state that the national flag of the city selected to organize the next Olympic Games [Los Angeles] must be hoisted briefly at the closing ceremonies of the Olympic Games, while the U.S. anthem is played. The Los Angeles Olympic Organizing Committee, which has worked very closely with Mayor Bradley, would like to adhere to this rule, since they are fearful that any violation of the rule could jeopardize the Los Angeles Games. Informal State Department soundings with IOC officials suggest that a violation of this IOC rule might indeed pose significant problems for Los Angeles.

The State Department has previously sent demarches to the Soviet government, the Moscow Olympic Organizing Committee, and the IOC requesting that the U.S. flag not fly in connection with the Moscow Olympics. The U.S. Embassy in Moscow has made an even stronger public statement specifically referring to the closing ceremonies among other occasions. In response to a press question, Hodding Carter has stated that the USG opposed the flying of the flag, but that the matter was up to the USOC.

Lord Killanin has told LAOOC officials that he requested permission to have the flag flown during his meeting with you and that you agreed to it. Warren Christopher and I have no recollection of such an exchange, and the memcon of the meeting does not mention it. Killanin has a copy of the memcon, and has not raised the issue with us.

On balance, Chris and I believe that we should not object to the IOC briefly raising the flag and playing the anthem at the closing ceremonies. We cannot physically prevent it anyway.

Raising the flag to confirm the announcement of the 1984 Games in Los Angeles is a plus, since it negates further speculation that the IOC will cancel and makes it harder for the Soviets to boycott. It simply indicates our support for the Olympic movement which you have reaffirmed on many occasions.

We recommend that if Bradley raises the point you reply that we will study the matter. Meanwhile we will consult Watson and ask if he has any strong objection to permitting this limited use of the flag and anthem. We will give you a final recommendation after hearing from Watson.

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PRECEDENCE

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DEX
DAC 31
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PAGES 5
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FROM: STU EIZENSTAT

TO: SUSAN CLOUGH FOR THE PRESIDENT

INFO:

DTG: 0801202 JUL80

RELEASED BY: WHC

TOR: 0801252 JUL80

SPECIAL INSTRUCTIONS:

PLAINS: PLEASE MAKE TWO COPIES;
ONE FOR SUSAN CLOUGH AND
ONE FOR PHIL WISE

TKS, WHSR

RECEIVED
80 JUL 7 P9:32
WHITE HOUSE
SITUATION ROOM

WHCA FORM 8, 22 FEB 74

CONFIDENTIAL

Stu
J
cc given to Stu
in Detroit
7/8/80
M

THE WHITE HOUSE

WASHINGTON

July 7, 1980

MEMORANDUM FOR THE PRESIDENT

FROM: STU EIZENSTAT Stu/D.R.

Attached is a decision memo that Ambassador Askew prepared for you on the issue of duties to be applied to imported light-weight trucks. This memo was part of the larger package of memoranda prepared for your recent meeting on the auto policy, but it was buried in the package and you may not have read it. Briefly, it asks you to decide whether to leave in place the 25% duty on imported light-weight trucks; to use the tariff to gain trade concessions from Japan; or to simply lower the duty.

This decision is an extremely important one to the auto industry, which would strongly favor maintaining the duty at 25%. The Vice President, Ambassador Askew, Secretary Klutznick, Secretary Marshall, Secretary Goldschmidt and I believe that a decision to maintain the 25% duty will add immeasurably to the auto package you are announcing tomorrow; if that item is included in the package, the likelihood of a favorable response from industry and labor is considerably improved. For that reason, I recommend that you read the attached memorandum and be prepared to include a decision as part of your announcement.

My own recommendation was inadvertently not reflected in the decision part (page 8) of the Askew memo. Essentially, I favor Option III -- maintaining the 25% duty -- because I believe that this option will add needed strength to the auto policy.
If you decide, however, on Option II -- using the duty as a negotiating lever to gain concessions -- I strongly recommend that it be clear that any concessions will be in the auto area. Trade concessions from the Japanese in other areas, which appears to be the approach suggested in Option II, will not in any way satisfy the concerns of the auto industry.

CONFIDENTIAL

THE WHITE HOUSE

WASHINGTON

July 7, 1980

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THE WHITE HOUSE

WASHINGTON

July 7, 1980

MEMORANDUM FOR THE PRESIDENT

FROM: STU EIZENSTAT Stu
RALPH SCHLOSSTEIN

SUBJECT: Meeting with the Auto Industry and Leadership of the United Auto Workers
July 8, 1980
7:15 a.m.
Terminal of Detroit, Mich. Airport
Press Plan: Photo opportunity at beginning of meeting; Presidential statement after the meeting; Secretary Goldschmidt, Secretary Miller and Stu Eizenstat to answer questions after Presidential statement

---

Purpose:

The meeting is designed to follow-up on your meeting with the auto industry and labor eight weeks ago. It will provide you with an opportunity to describe the actions that you will take to help the industry solve its current and future problems. It also will give business and labor an opportunity to outline the commitments that they will make to help solve their own problems.

Participants:

Vice-President Mondale
Chairman Thomas A. Murphy (GM)
President Elliott M. Estes (GM)
Chairman Philip Caldwell (Ford Motor Co.)
President Donald Peterson (Ford Motor Co.)
Chairman Gerald C. Meyers (American Motors)
President W. Paul Tippett (American Motors)
Chairman Lee A. Iacocca (Chrysler)
President J. Paul Bergmoser (Chrysler)
President James W. McLernon (Volkswagen of America)
President Douglas A. Fraser (UAW)
Vice President Don Ephlin (UAW)
Vice President Owen Bieber (UAW)

Vice President Mark Stepp (UAW)
Vice President Ray Majerus (UAW)
Secretary of the Treasury G. William Miller
Secretary of Transportation Neil Goldschmidt
Stuart Eizenstat
Ambassador Reuben Askew
Administrator Douglas Costle (EPA)

Background:

On May 14, 1980, you met with the auto industry leaders and the leadership of the United Auto Workers. At that meeting you pledged that your advisors would undertake a thorough review of the current and future problems of the auto industry. You also asked your advisors to develop a list of recommended actions that could be taken by the Administration to help the industry. Finally, you asked the business and labor leaders to develop actions that they could take to improve the current and future prospects for the auto industry.

You will open the meeting with a statement that: 1) expresses your concern about the current condition of the auto industry; 2) outlines the actions you intend to take immediately to improve the prospects for the industry; 3) emphasizes your commitment to a continuing effort to address the concerns of this critical industry; and 4) requests that the industry and labor leaders participate in an Auto Industry Committee -- composed of business, labor and government representatives. After the meeting you will meet very briefly with the Michigan Congressional delegation (with whom the Vice President, Secretary Goldschmidt and I will already have met) and then make a brief statement to the press. (A draft of the statement was sent to you separately.) Secretary Goldschmidt, Secretary Miller and I will remain to answer questions.

The Vice-President will meet with the leadership of the UAW, Ford and GM tonight. Neil Goldschmidt, Bill Miller and I will meet with Chrysler, AMC and VW. We will press them for specific commitments and for statements of support for your effort. The Vice-President will report to you on the results of these meetings when you arrive. He will also advise you as to the order in which you should call on the participants. The talking points on labor and industry contributions are contingent on the results of these meetings.

Talking Points:

- I come to Detroit at a time when the automobile industry and your city face a very difficult period of transition.

- The recession and the rapid shift by consumers to smaller, fuel-efficient cars have dramatically reduced domestic auto sales and employment.

- Yet the financial needs of the auto industry to weather these difficulties and to retool for the future have never been greater.

- I come to Detroit filled with a deep personal concern about the problems that have been created by this difficult period of transition.

- I am deeply disturbed that the tragedy of 25 percent auto unemployment has brought hardship and despair to the lives of so many American families.

- I am troubled that the decline in profitability of the industry may make it more difficult for you to retool for the future.

- And I am concerned that insufficient capacity to produce small fuel-efficient cars domestically has contributed to increased purchases of foreign imports.

- But I also come to Detroit filled with hope and confidence about the future: for the auto industry is and will remain the backbone of America's industrial base.

- Eight weeks ago we met in the White House to discuss the current and future problems of the auto industry.

- We agreed that an unprecedented cooperative effort involving government, business and labor -- would be needed to help the auto industry weather the difficult transition period of the next three years.

- Over the past eight weeks, my advisers have worked day and night to develop proposals that address many of the concerns you raised. The following results from this effort:

  - We will propose significant changes in prospective regulations that will increase the industry's cash flow by more than $500 million in the next three years. This cash flow will help the industry assemble the capital needed to retool for the future. In addition, the Department of Transportation will make certain that regulations to be issued in the coming years will reflect a sensitivity to the industry's cash flow problems.

- We will provide substantial new economic aid to the cities and towns affected by plant closings and extended shutdowns. More than $50 million of additional aid will be set aside to help the affected cities and towns attract new industry and jobs.

- We will make more than $200 million of additional loan guarantees available to struggling auto dealers. These funds will allow them to obtain much needed working capital in this difficult transition period.

- I am instructing the Treasury Department to accelerate its review of the depreciable lives of auto manufacturing equipment and tools, so that current practices reflect the true economic obsolescence of these items. I am also asking the Treasury Department to examine the possibility under present law of revising the tax treatment of certain special tools used by the industry. And, in developing general tax measures for enactment when economic conditions warrant, I will give careful consideration to the capital formation problems of the automobile and other industries that constitute America's industrial base. These changes, when they are implemented, will help the industry obtain the cash flow needed to retool its plants.

- Finally, I have asked all of you to join me in forming an Auto Industry Committee, so that we can address the problems of the industry on a continuing and cooperative basis in the future. I believe that such a cooperative effort, similar to that pursued by Japan, is needed so that the American auto industry can strengthen its competitiveness in the world and domestic markets.

- I also want to ensure that the American commitment to free trade is accompanied by a firm commitment to fair trade from our trading partners.

- Japan is a valued ally. It has stood by us in our efforts to free the American hostages in Iran and to induce the Soviet Union to remove its troops from Afghanistan.

- But our relationship with Japan must continue to be strengthened on the basis of fair and reciprocal trade benefits.

- Therefore, I have asked the Japanese to open their markets to American cars and parts, and to expand significantly their investment to produce cars and parts in the U.S. Japan has made important commitments in response to these requests, which will benefit American labor and industry.

- /In addition, I have asked the United States International Trade Commission (ITC), to accelerate its investigation of the auto industry and to report their findings to me as soon as possible. The ITC's investigation is too important to be considered in a business-as-usual fashion./

- Finally, in response to my request at the recent Venice Summit, the Japanese announced yesterday that they do not plan any significant expansion of their auto manufacturing capacity over the next few years.

- But the real significance of what we have done does not lie in these actions. They are the beginning, not the end of the process.

- The real significance lies in the commitment that all of us have made to work together to solve the auto industry's problems -- business, labor and government working shoulder to shoulder to build a better future for America's auto industry.

- I want to ask you to join me in establishing an Auto Industry Committee -- a cooperative partnership through which we can advance both the interests of our Nation, and the interests of business, labor and the consumer.

- For my part, I pledge the continued cooperation of my Administration to achieve these goals. And I pledge my continued personal involvement in helping to solve the problems of this critical industry.

- But these goals cannot be achieved by Government alone.

- They will require commitments from you as well. From industry, we will need substantial investments in the United States to manufacture small, fuel-efficient and safe cars, <u>and to employ American workers</u>.

- From industry, we will also need a renewed commitment to continued progress on fuel-economy and other issues that are essential to the achievement of our energy and economic objectives.

- From labor and management, we will need joint efforts to restrain prices and make the costs of production in America more competitive with costs overseas.

- And we will need extra efforts to maximize productivity, and to ensure the production of high quality products.

- We have a big job to do. But I am confident that, if we work together, we can meet the challenge.

IMMEDIATE
PRECEDENCE

~~CONFIDENTIAL~~
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DAC 33 GPS _____

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DTG: 080130Z JUL 80

TOR: 080223Z JUL 80

FROM: STU EIZENSTAT

TO: SUSAN CLOUGH FOR THE PRESIDENT

INFO:

RELEASED BY: WHC

SPECIAL INSTRUCTIONS:

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ESDN: NLC-126-22-4-2-1
BY KS NARA DATE 1/2/14

WHCA FORM 8, 22 FEB 74

THE UNITED STATES TRADE REPRESENTATIVE
WASHINGTON
20506

DECISION — June 30, 1980

MEMORANDUM FOR: THE PRESIDENT

FROM: Reubin O'D. Askew, Chairman
Trade Policy Committee

SUBJECT: U.S. Trade Relations with Japan: Trade in Light Trucks

Issue

On May 23 the U.S. Customs Service announced, as the result of a quasi-judicial process, that cab chassis (lightweight truck chassis with the cab attached but without cargo boxes) which are dutiable at 4 percent will be reclassified as unfinished trucks dutiable at 25 percent. You need to decide whether a) to leave the higher duty in place, b) to use it as a negotiating lever to gain trade concessions from Japan, or c) to lower it unilaterally.

Background

A 1979 court decision, which reversed the rationale of an earlier ruling on which Customs had relied, prompted the review of cab chassis classification. Customs made its decision to reclassify on the legal and technical merits.

Reclassification will affect the so-called "mini-pickups," an item of major trade interest to Japan. Heavier trucks from Europe without cargo boxes are not now affected. In 1979, approximately 389,000 mini-pickups valued at $1.4 billion were imported from Japan: roughly half by Toyota and Nissan, and half by GM, Ford and Chrysler. In the first quarter of 1980, imports of these trucks rose to a projected annualized rate of 480,000 valued at $1.8 billion.

The currently applied 25 percent rate was proclaimed in 1963 as a penalty duty directed against EC truck exports as part of U.S. retaliation for European import restrictions on U.S. poultry. (Before that the tariff was 8.5 percent.) The increased tariff curtailed Volkswagen exports to the U.S. of its cargo vans and trucks. (Ironically, VW is now the only firm producing comparable small trucks in the U.S.--30,000 to be produced in 1980--although GM and Nissan have announced plans to start U.S. production, and Ford is expected to do the same.)

In the early 1970s the Japanese began shipping cargo boxes and cab chassis separately for assembly in the U.S. to take advantage of the low 4 percent duty on cab chassis. Customs found this practice acceptable for about 10 years until a recent court decision caused it to reconsider. In making its decision to reclassify lightweight cab chassis as substantially complete trucks, Customs noted that U.S. assembly involved less than 3 percent of the parts and 7 percent of the value of the completed trucks.

Following normal practice, the reclassification will become effective 90 days after the May 23 announcement, i.e., on August 21. Before or after August 21 you have authority to reduce the 25 percent duty on trucks: (a) unilaterally to 8.5 percent either temporarily or permanently; (b) by a combination of unilateral action and agreement with Japan, to any rate of duty between 25 percent and 6.8 percent or possibly a tariff-rate quota with a higher rate of duty on imports over a certain quantity; and (c) by an agreement with Japan which is approved by Congress to any rate of duty between 25 percent and free.

During the MTN the U.S. offered to reduce its truck tariff from 25 to 3.4 percent. The EC offered only minimal payment and we withdrew the offer. Separately the U.S. indicated to Japan in the MTN that, in view of the controversy concerning the classification of cab chassis, the U.S. would be willing to consider a reduced tariff for mini-pickups. Japan did not show much interest, and the U.S. also withdrew this offer. Last December we again offered to negotiate a reduction in the truck duty, but Japan was not interested.

Reclassification comes at a difficult moment for the Japanese politically. The Ohira Government fell May 16 and Mr. Ohira died on June 12. Elections were held June 22, but until the establishment of a new government in mid-July at best, it is unlikely the GOJ could negotiate a major tariff reduction. Although any new government in Japan will maintain close ties with the U.S., it will face increasing pressure from business circles--which were instrumental in the LDP's smashing victory--to retaliate against a six-fold increase in the duty on a major Japanese export.

So far, the GOJ reaction to the reclassification announcement has been low-key. Japanese Embassy officials met with representatives of several USG agencies to express the GOJ's great regret that Customs decided to reclassify, to indicate, from their point of view, that we owe them because the U.S raised a duty 21 percentage points, to state that reclassification will be a problem in the context of GATT, and to reserve the GOJ's GATT rights. (The GATT issues are complicated and without precedent; however USTR lawyers believe that a

sound GATT defense can be made by the U.S.) The GOJ has reminded us of its recently announced auto package, indicated reclassification will create difficulties for these efforts, and urged the USG to reduce the truck tariff to avoid disruption to trade. (Japan acted unilaterally in taking the initiatives contained in the auto package. While we told the GOJ it would be given credit for eliminating duties on auto parts in any subsequent dealing on automotive products, we made it very clear that we were not committed to initiating discussions or reducing the tariff on trucks.)

Domestically this issue cannot be isolated from the problems currently facing the U.S. auto industry and its workers. In your May 14 meeting with them, Caldwell of Ford, Meyers of AMC, and Fraser all stressed the importance of maintaining the 25 percent truck tariff at this time of drastically declining sales and employment in the industry. May truck production was off 67 percent from last year, while May car output was off 44 percent. The 31 percent import penetration (from January to April) of the U.S. light truck market, moreover, is higher than the 27 percent import share of the car market. Additionally, the industry is concerned that a reduction in the 25 percent duty (which applies to cargo vans as well as trucks) would result in huge increases in the presently negligible cargo van imports further depressing U.S. motor vehicle sales. (None of the options below contemplates a reduction in the tariff on cargo vans nor have the Japanese requested such a reduction. If you approve an option to reduce the tariff for mini-pickups it will be done <u>without</u> reducing the tariff on cargo vans.)

Caldwell has reversed his company's previous request that the effective date of reclassification be delayed for 2½ years (until Ford's planned U.S. small truck capacity is in operation). He claims that immediate imposition of the 25 percent duty would increase U.S. truck sales by up to 200,000 units and auto employment by up to 20,000 jobs during the 1981 model year. (There is general agreement, even by individuals in the industry, that these estimates are highly exaggerated.) GM believes the higher tariff should be enforced but that it could be used as a bargaining chip and reduced over time to induce production in the U.S. Nissan has asked that implementation of the reclassification be delayed for 2½ years when its U.S. truck plant will be in operation. Chrysler suggests the increased tariff be phased in but does not believe it will result in significant sales or employment benefits. Toyota has requested that the tariff be reduced to 6.8 percent and that implementation be delayed for a reasonable period of time.

Estimating the impact on the U.S. truck market of an immediate 21 percentage point increase in the duty is difficult. The impact depends largely on assumptions of how much of the duty increase would be passed through to retail. Toyota has announced a price increase of $800 per truck. Toyota believes the 25 percent tariff will result in a 30 percent decrease in all imports of mini-pickups. Toyota claims it could be subject to dumping charges if it absorbed a substantial portion of the 25 percent duty. The recent erosion of the yen/dollar exchange rate has considerably narrowed profit margins and could further support such dumping charges.

U.S. Government estimates indicate that the price increase could range from $800 (or 16 percent) to $400 (or 8 percent) per truck. In the former case imports would fall by approximately 26 percent and in the latter by 13 percent. In view of the recent appreciation of the yen vis-a-vis the dollar, it is likely that the price increase would be closer to the high side of these estimates.

Some consumers will shift to domestic pickups and station wagons, others to imported small cars and station wagons, and others will defer purchases. To the extent that the higher duty on mini-pickups would lead to increased sales of domestic trucks, there could be a small increase in oil imports. The mini-pickups are more fuel efficient than the nearest, comparable U.S.-made pickup (half-ton) by an average of about 5 mpg when not loaded. However, the fuel economy advantage of the imports decreases as the pay load increases. The new Corporate Average Fuel Economy requirements will force fuel economy improvements on U.S.-made trucks thereby reducing fuel economy as a distinguishing feature in the next few years.

Projections indicate that the total U.S. production of mini-pickups will remain at the 30,000 units made by Volkswagen until model year 1982 even if the 25 percent reclassification occurs. GM will at that time have a plant in operation with a capacity of 250,000 to 300,000 mini-pickups. In 1983 Nissan's U.S. production will enter the market with 120,000 units. It is anticipated that Ford will announce plans to build mini-pickups.

Customs and Nissan officials indicate that exporters and importers will have difficulty finding a new loophole to circumvent reclassification. Toyota is reviewing the possibility but doubts that it will be economically feasible. Ford, Chrysler and GM indicate they are not exploring a new loophole. In order to be dutiable at the cab chassis rate manufacturers could increase substantially the U.S. value added, labor or parts, or they could remove the cab entirely. Customs will rule on particular configurations on a case-by-case basis. Customs has not yet received a formal request for a new ruling.

Options

Option I: Seek to negotiate the best possible package of concessions from Japan before reclassification is implemented August 21, 1980. Whatever concessions are obtained will be accepted as adequate. Before reclassification is implemented, the 25 percent tariff would be permanently reduced or suspended for 2-3 years to 8.5 percent. Suspension for 2½ years would give Nissan time to complete its U.S. truck plant and keep the pressure on Toyota to build in the U.S. In reducing the duty your proclamation would: a) note Japan's recent liberalization of automotive standards and auto parts tariffs; b) note that a six-fold increase in the tariff on this $1.4 billion item would aggravate inflation and provide only minor immediate benefit to U.S. industry or labor; and c) note that the 25 percent penalty duty was directed at the EC, not Japan. (Given the large volume of trade, if the 25 percent truck tariff is maintained, reclassification would result in an increase of the average U.S. tariff on dutiable imports of all Japanese products of 1.08 percentage points, eliminating almost half of the 2.2 percentage point reduction which will result from tariff cuts agreed to in the MTN.)

Pros

-- Avoids the inflationary effects of reclassification.

-- Reduces political and trade friction with Japan during a time of political transition in Japan.

-- Consistent with the open market position you have taken on auto imports.

-- A suspension for 2½ years would help Nissan in moving production to the U.S.

Cons

-- At a time of falling auto sales and increased auto unemployment, would be criticized by the UAW, most of the domestic auto industry, and many Congressmen; would increase pressure for restrictive legislation on autos.

-- Reduces the negotiating leverage that the 25 percent duty provides.

Option II: Use the bargaining leverage to negotiate a significant package of acceptable concessions from Japan in return for lowering the 25 percent duty on trucks. Any concessions package would be submitted to you for approval. If negotiations are successful, then reduce the duty from 25 percent to a lower level--not less than 6.8 percent. The reclassification would go into effect if no agreement were reached by August 21, 1980.

Pros

-- Utilizes the leverage of reclassification to seek trade concessions we have been seeking unsuccessfully from the Japanese.

-- Congress would probably support the 25 percent duty as leverage if we get meaningful concessions.

-- Would be responsive to Congressional and public concern over rising U.S. trade deficit with Japan and continuing Japanese import barriers.

-- Reduces friction with Japanese by agreeing to negotiate now.

Cons

-- Negotiations might yield minimum results which would anger industry and labor and endanger our earlier decision not to seek voluntary restraints on Japanese car imports. Short of an OMA limiting Japanese autos, it is highly unlikely we could get sufficient concessions in the auto sector to satisfy the U.S. auto industry. An OMA is a possibility only after the USITC finds injury in its Section 201 investigation.

-- If the concessions are primarily in non-auto sectors, it might appear that a negotiating chip that could have helped the troubled U.S. auto industry had been wasted.

-- May cause political problems with the Japanese who may resent being asked to pay for removal of a penalty duty levied against the EC at a time when we continue to need their close support on Iran and Afghanistan. They believe that under the GATT they are entitled to 8.5 percent, a position we are prepared to contest.

-- If we are unable to reach a satisfactory agreement with the Japanese, we would be left with a 25 percent duty on an item not now in significant production in the U.S. although comparable models could be available as early as model year 1982.

Option III: Implement reclassification and hold the truck tariff at 25 percent for the time being. Inform the Japanese that in the current political and economic climate in the U.S., we do not believe that negotiations would prove successful. We will continue to consult with the Japanese on the situation and will be willing to negotiate a reduction in the truck tariff when it becomes feasible and appropriate.

Pros

-- Would be responsive to demands of many in the U.S. auto industry who seek some protection from imports in a recession, even though it does not affect passenger cars.

-- Would minimize the chance of negotiations that might yield minimum results which would anger industry and labor and endanger our earlier decision not to seek voluntary restraints on Japanese car imports. Short of an OMA limiting Japanese autos, it is highly unlikely we could get sufficient concessions in the auto sector to satisfy the U.S. auto industry. An OMA is possible only after the USITC finds injury in its Section 201 investigation.

-- Would be responsive to Congressional and public criticism that we do not deal firmly enough with Japan and that we are not sufficiently concerned with our growing trade deficit with Japan.

Cons

-- May cause serious political problems with the Japanese affecting not only auto issues but possibly broader cooperation as well.

-- Would place a 25 percent duty on an item not currently produced in significant quantity in the U.S. although comparable models could be available as early as model year 1982.

-- Would have inflationary impact.

Decision

Option I: Negotiate the best possible package of concessions before reclassification is implemented August 21, 1980. Accept whatever is negotiated and reduce or suspend the duty to 8.5 percent before it is applied.

Supported by: State.

Approve_____

Disapprove_____

Option II: Negotiate a reduction in the truck tariff from 25 percent to 6.8 percent or anywhere in between in return for Japanese concessions large enough to offset significantly domestic political opposition. The package of concessions would be submitted for your approval. If unsuccessful, the 25 percent duty will be applied.

Supported by: Treasury, NSC, CEA, Justice, Agriculture.

Approve_____

Disapprove_____

Option III: Inform the Japanese that we are unable to negotiate a reduction in the 25 percent truck tariff until the domestic political and economic climate improves.

Supported by: USTR, Commerce, Labor, Transportation.

Approve_____

Disapprove_____

ID 803573

THE WHITE HOUSE

WASHINGTON

DATE: 01 JUL 80

FOR ACTION: JACK WATSON
AL MCDONALD
JIMMCINTYRE
STU EIZENSTAT
FRANK MOORE
LANDON BUTLER

Gene Eidenberg

INFO ONLY: THE VICE PRESIDENT
JODY POWELL

file/done

SUBJECT: US TRADE RELATIONS WITH JAPAN ; TRADE IN LIGHT TRUCKS
COMMENTS SHOULD BE GIVEN TO STU EIZENSTAT

++++++++++++++++++++ ++++++++++++++++++++ ++++++++++++++++++++

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

+ BY: +

++++++++++++++++++++ ++++++++++++++++++++ ++++++++++++++++++++

ACTION REQUESTED: IMMEDIATE TURNAROUND

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

PLEASE NOTE OTHER COMMENTS BELOW:

THE UNITED STATES TRADE REPRESENTATIVE
WASHINGTON
20506

DECISION — June 30, 1980

MEMORANDUM FOR: THE PRESIDENT

FROM: Reubin O'D. Askew

SUBJECT: U.S. Trade Relations with Japan: Trade in Light Trucks

Issue

On May 23 the U.S. Customs Service announced, as the result of a quasi-judicial process, that cab chassis (lightweight truck chassis with the cab attached but without cargo boxes) which are dutiable at 4 percent will be reclassified as unfinished trucks dutiable at 25 percent. You need to decide whether a) to leave the higher duty in place, b) to use it as a negotiating lever to gain trade concessions from Japan, or c) to lower it unilaterally.

Background

A 1979 court decision, which reversed the rationale of an earlier ruling on which Customs had relied, prompted the review of cab chassis classification. Customs made its decision to reclassify on the legal and technical merits.

Reclassification will affect the so-called "mini-pickups," an item of major trade interest to Japan. Heavier trucks from Europe without cargo boxes are not now affected. In 1979, approximately 389,000 mini-pickups valued at $1.4 billion were imported from Japan: roughly half by Toyota and Nissan, and half by GM, Ford and Chrysler. In the first quarter of 1980, imports of these trucks rose to a projected annualized rate of 480,000 valued at $1.8 billion.

The currently applied 25 percent rate was proclaimed in 1963 as a penalty duty directed against EC truck exports as part of U.S. retaliation for European import restrictions on U.S. poultry. (Before that the tariff was 8.5 percent.) The increased tariff curtailed Volkswagen exports to the U.S. of its cargo vans and trucks. (Ironically, VW is now the only firm producing comparable small trucks in the U.S.--30,000 to be produced in 1980--although GM and Nissan have announced plans to start U.S. production, and Ford is expected to do the same.)

In the early 1970s the Japanese began shipping cargo boxes and cab chassis separately for assembly in the U.S. to take advantage of the low 4 percent duty on cab chassis. Customs found this practice acceptable for about 10 years until a recent court decision caused it to reconsider. In making its decision to reclassify lightweight cab chassis as substantially complete trucks, Customs noted that U.S. assembly involved less than 3 percent of the parts and 7 percent of the value of the completed trucks.

Following normal practice, the reclassification will become effective 90 days after the May 23 announcement, i.e., on August 21. Before or after August 21 you have authority to reduce the 25 percent duty on trucks: (a) unilaterally to 8.5 percent either temporarily or permanently; (b) by a combination of unilateral action and agreement with Japan, to any rate of duty between 25 percent and 6.8 percent or possibly a tariff-rate quota with a higher rate of duty on imports over a certain quantity; and (c) by an agreement with Japan which is approved by Congress to any rate of duty between 25 percent and free.

During the MTN the U.S. offered to reduce its truck tariff from 25 to 3.4 percent. The EC offered only minimal payment and we withdrew the offer. Separately the U.S. indicated to Japan in the MTN that, in view of the controversy concerning the classification of cab chassis, the U.S. would be willing to consider a reduced tariff for mini-pickups. Japan did not show much interest, and the U.S. also withdrew this offer. Last December we again offered to negotiate a reduction in the truck duty, but Japan was not interested.

Reclassification comes at a difficult moment for the Japanese politically. The Ohira Government fell May 16 and Mr. Ohira died on June 12. Elections were held June 22, but until the establishment of a new government in mid-July at best, it is unlikely the GOJ could negotiate a major tariff reduction. Although any new government in Japan will maintain close ties with the U.S., it will face increasing pressure from business circles--which were instrumental in the LDP's smashing victory--to retaliate against a six-fold increase in the duty on a major Japanese export.

So far, the GOJ reaction to the reclassification announcement has been low-key. Japanese Embassy officials met with representatives of several USG agencies to express the GOJ's great regret that Customs decided to reclassify, to indicate, from their point of view, that we owe them because the U.S raised a duty 21 percentage points, to state that reclassification will be a problem in the context of GATT, and to reserve the GOJ's GATT rights. (The GATT issues are complicated and without precedent; however USTR lawyers believe that a

sound GATT defense can be made by the U.S.) The GOJ has reminded us of its recently announced auto package, indicated reclassification will create difficulties for these efforts, and urged the USG to reduce the truck tariff to avoid disruption to trade. (Japan acted unilaterally in taking the initiatives contained in the auto package. While we told the GOJ it would be given credit for eliminating duties on auto parts in any subsequent dealing on automotive products, we made it very clear that we were not committed to initiating discussions or reducing the tariff on trucks.)

Domestically this issue cannot be isolated from the problems currently facing the U.S. auto industry and its workers. In your May 14 meeting with them, Caldwell of Ford, Meyers of AMC, and Fraser all stressed the importance of maintaining the 25 percent truck tariff at this time of drastically declining sales and employment in the industry. May truck production was off 67 percent from last year, while May car output was off 44 percent. The 31 percent import penetration (from January to April) of the U.S. light truck market, moreover, is higher than the 27 percent import share of the car market. Additionally, the industry is concerned that a reduction in the 25 percent duty (which applies to cargo vans as well as trucks) would result in huge increases in the presently negligible cargo van imports further depressing U.S. motor vehicle sales. (None of the options below contemplates a reduction in the tariff on cargo vans nor have the Japanese requested such a reduction. If you approve an option to reduce the tariff for mini-pickups it will be done <u>without</u> reducing the tariff on cargo vans.)

Caldwell has reversed his company's previous request that the effective date of reclassification be delayed for 2½ years (until Ford's planned U.S. small truck capacity is in operation). He claims that immediate imposition of the 25 percent duty would increase U.S. truck sales by up to 200,000 units and auto employment by up to 20,000 jobs during the 1981 model year. (There is general agreement, even by individuals in the industry, that these estimates are highly exaggerated.) GM believes the higher tariff should be enforced but that it could be used as a bargaining chip and reduced over time to induce production in the U.S. Nissan has asked that implementation of the reclassification be delayed for 2½ years when its U.S. truck plant will be in operation. Chrysler suggests the increased tariff be phased in but does not believe it will result in significant sales or employment benefits. Toyota has requested that the tariff be reduced to 6.8 percent and that implementation be delayed for a reasonable period of time.

Estimating the impact on the U.S. truck market of an immediate 21 percentage point increase in the duty is difficult. The impact depends largely on assumptions of how much of the duty increase would be passed through to retail. Toyota has announced a price increase of $800 per truck. Toyota believes the 25 percent tariff will result in a 30 percent decrease in all imports of mini-pickups. Toyota claims it could be subject to dumping charges if it absorbed a substantial portion of the 25 percent duty. The recent erosion of the yen/dollar exchange rate has considerably narrowed profit margins and could further support such dumping charges.

U.S. Government estimates indicate that the price increase could range from $800 (or 16 percent) to $400 (or 8 percent) per truck. In the former case imports would fall by approximately 26 percent and in the latter by 13 percent. In view of the recent appreciation of the yen vis-a-vis the dollar, it is likely that the price increase would be closer to the high side of these estimates.

Some consumers will shift to domestic pickups and station wagons, others to imported small cars and station wagons, and others will defer purchases. To the extent that the higher duty on mini-pickups would lead to increased sales of domestic trucks, there could be a small increase in oil imports. The mini-pickups are more fuel efficient than the nearest, comparable U.S.-made pickup (half-ton) by an average of about 5 mpg when not loaded. However, the fuel economy advantage of the imports decreases as the pay load increases. The new Corporate Average Fuel Economy requirements will force fuel economy improvements on U.S.-made trucks thereby reducing fuel economy as a distinguishing feature in the next few years.

Projections indicate that the total U.S. production of mini-pickups will remain at the 30,000 units made by Volkswagen until model year 1982 even if the 25 percent reclassification occurs. GM will at that time have a plant in operation with a capacity of 250,000 to 300,000 mini-pickups. In 1983 Nissan's U.S. production will enter the market with 120,000 units. It is anticipated that Ford will announce plans to build mini-pickups.

Customs and Nissan officials indicate that exporters and importers will have difficulty finding a new loophole to circumvent reclassification. Toyota is reviewing the possibility but doubts that it will be economically feasible. Ford, Chrysler and GM indicate they are not exploring a new loophole. In order to be dutiable at the cab chassis rate manufacturers could increase substantially the U.S. value added, labor or parts, or they could remove the cab entirely. Customs will rule on particular configurations on a case-by-case basis. Customs has not yet received a formal request for a new ruling.

Options

Option I: Seek to negotiate the best possible package of concessions from Japan before reclassification is implemented August 21, 1980. Whatever concessions are obtained will be accepted as adequate. Before reclassification is implemented, the 25 percent tariff would be permanently reduced or suspended for 2-3 years to 8.5 percent. Suspension for 2½ years would give Nissan time to complete its U.S. truck plant and keep the pressure on Toyota to build in the U.S. In reducing the duty your proclamation would: a) note Japan's recent liberalization of automotive standards and auto parts tariffs; b) note that a six-fold increase in the tariff on this $1.4 billion item would aggravate inflation and provide only minor immediate benefit to U.S. industry or labor; and c) note that the 25 percent penalty duty was directed at the EC, not Japan. (Given the large volume of trade, if the 25 percent truck tariff is maintained, reclassification would result in an increase of the average U.S. tariff on dutiable imports of all Japanese products of 1.08 percentage points, eliminating almost half of the 2.2 percentage point reduction which will result from tariff cuts agreed to in the MTN.)

Pros

-- Avoids the inflationary effects of reclassification.

-- Reduces political and trade friction with Japan during a time of political transition in Japan.

-- Consistent with the open market position you have taken on auto imports.

-- A suspension for 2½ years would help Nissan in moving production to the U.S.

Cons

-- At a time of falling auto sales and increased auto unemployment, would be criticized by the UAW, most of the domestic auto industry, and many Congressmen; would increase pressure for restrictive legislation on autos.

-- Reduces the negotiating leverage that the 25 percent duty provides.

Option II: Use the bargaining leverage to negotiate a significant package of acceptable concessions from Japan in return for lowering the 25 percent duty on trucks. Any concessions package would be submitted to you for approval. If negotiations are successful, then reduce the duty from 25 percent to a lower level--not less than 6.8 percent. The reclassification would go into effect if no agreement were reached by August 21, 1980.

Pros

-- Utilizes the leverage of reclassification to seek trade concessions we have been seeking unsuccessfully from the Japanese.

-- Congress would probably support the 25 percent duty as leverage if we get meaningful concessions.

-- Would be responsive to Congressional and public concern over rising U.S. trade deficit with Japan and continuing Japanese import barriers.

-- Reduces friction with Japanese by agreeing to negotiate now.

Cons

-- Negotiations might yield minimum results which would anger industry and labor and endanger our earlier decision not to seek voluntary restraints on Japanese car imports. Short of an OMA limiting Japanese autos, it is highly unlikely we could get sufficient concessions in the auto sector to satisfy the U.S. auto industry. An OMA is a possibility only after the USITC finds injury in its Section 201 investigation.

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-- May cause political problems with the Japanese who may resent being asked to pay for removal of a penalty duty levied against the EC at a time when we continue to need their close support on Iran and Afghanistan. They believe that under the GATT they are entitled to 8.5 percent, a position we are prepared to contest.

-- If we are unable to reach a satisfactory agreement with the Japanese, we would be left with a 25 percent duty on an item not now in significant production in the U.S. although comparable models could be available as early as model year 1982.

Option III: Implement reclassification and hold the truck tariff at 25 percent for the time being. Inform the Japanese that in the current political and economic climate in the U.S., we do not believe that negotiations would prove successful. We will continue to consult with the Japanese on the situation and will be willing to negotiate a reduction in the truck tariff when it becomes feasible and appropriate.

Pros

-- Would be responsive to demands of many in the U.S. auto industry who seek some protection from imports in a recession, even though it does not affect passenger cars.

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-- May cause serious political problems with the Japanese affecting not only auto issues but possibly broader cooperation as well.

-- Would place a 25 percent duty on an item not currently produced in significant quantity in the U.S. although comparable models could be available as early as model year 1982.

-- Would have inflationary impact.

Decision

Option I: Negotiate the best possible package of concessions before reclassification is implemented August 21, 1980 Accept whatever is negotiated and reduce or suspend the duty to 8.5 percent before it is applied.

Supported by: State.

Approve_____

Disapprove_____

Option II: Negotiate a reduction in the truck tariff from 25 percent to 6.8 percent or anywhere in between in return for Japanese concessions large enough to offset significantly domestic political opposition. The package of concessions would be submitted for your approval. If unsuccessful, the 25 percent duty will be applied.

Supported by: Treasury, NSC, CEA, Justice, Agriculture.

Approve_____

Disapprove_____

Option III: Inform the Japanese that we are unable to negotiate a reduction in the 25 percent truck tariff until the domestic political and economic climate improves.

Supported by: USTR, Commerce, Labor, Transportation.

Approve_____

Disapprove_____

CONFIDENTIAL

THE UNITED STATES TRADE REPRESENTATIVE
WASHINGTON
20506

DECISION — June 30, 1980

MEMORANDUM FOR: THE PRESIDENT

FROM: Reubin O'D. Askew, Chairman
Trade Policy Committee

SUBJECT: U.S. Trade Relations with Japan: Trade in Light Trucks

Issue

On May 23 the U.S. Customs Service announced, as the result of a quasi-judicial process, that cab chassis (lightweight truck chassis with the cab attached but without cargo boxes) which are dutiable at 4 percent will be reclassified as unfinished trucks dutiable at 25 percent. You need to decide whether a) to leave the higher duty in place, b) to use it as a negotiating lever to gain trade concessions from Japan, or c) to lower it unilaterally.

Background

A 1979 court decision, which reversed the rationale of an earlier ruling on which Customs had relied, prompted the review of cab chassis classification. Customs made its decision to reclassify on the legal and technical merits.

Reclassification will affect the so-called "mini-pickups," an item of major trade interest to Japan. Heavier trucks from Europe without cargo boxes are not now affected. In 1979, approximately 389,000 mini-pickups valued at $1.4 billion were imported from Japan: roughly half by Toyota and Nissan, and half by GM, Ford and Chrysler. In the first quarter of 1980, imports of these trucks rose to a projected annualized rate of 480,000 valued at $1.8 billion.

The currently applied 25 percent rate was proclaimed in 1963 as a penalty duty directed against EC truck exports as part of U.S. retaliation for European import restrictions on U.S. poultry. (Before that the tariff was 8.5 percent.) The increased tariff curtailed Volkswagen exports to the U.S. of its cargo vans and trucks. (Ironically, VW is now the only firm producing comparable small trucks in the U.S.--30,000 to be produced in 1980--although GM and Nissan have announced plans to start U.S. production, and Ford is expected to do the same.)

CONFIDENTIAL

In the early 1970s the Japanese began shipping cargo boxes and cab chassis separately for assembly in the U.S. to take advantage of the low 4 percent duty on cab chassis. Customs found this practice acceptable for about 10 years until a recent court decision caused it to reconsider. In making its decision to reclassify lightweight cab chassis as substantially complete trucks, Customs noted that U.S. assembly involved less than 3 percent of the parts and 7 percent of the value of the completed trucks.

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During the MTN the U.S. offered to reduce its truck tariff from 25 to 3.4 percent. The EC offered only minimal payment and we withdrew the offer. Separately the U.S. indicated to Japan in the MTN that, in view of the controversy concerning the classification of cab chassis, the U.S. would be willing to consider a reduced tariff for mini-pickups. Japan did not show much interest, and the U.S. also withdrew this offer. Last December we again offered to negotiate a reduction in the truck duty, but Japan was not interested.

Reclassification comes at a difficult moment for the Japanese politically. The Ohira Government fell May 16 and Mr. Ohira died on June 12. Elections were held June 22, but until the establishment of a new government in mid-July at best, it is unlikely the GOJ could negotiate a major tariff reduction. Although any new government in Japan will maintain close ties with the U.S., it will face increasing pressure from business circles--which were instrumental in the LDP's smashing victory--to retaliate against a six-fold increase in the duty on a major Japanese export.

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Caldwell has reversed his company's previous request that the effective date of reclassification be delayed for 2½ years (until Ford's planned U.S. small truck capacity is in operation). He claims that immediate imposition of the 25 percent duty would increase U.S. truck sales by up to 200,000 units and auto employment by up to 20,000 jobs during the 1981 model year. (There is general agreement, even by individuals in the industry, that these estimates are highly exaggerated.) GM believes the higher tariff should be enforced but that it could be used as a bargaining chip and reduced over time to induce production in the U.S. Nissan has asked that implementation of the reclassification be delayed for 2½ years when its U.S. truck plant will be in operation. Chrysler suggests the increased tariff be phased in but does not believe it will result in significant sales or employment benefits. Toyota has requested that the tariff be reduced to 6.8 percent and that implementation be delayed for a reasonable period of time.

Estimating the impact on the U.S. truck market of an immediate 21 percentage point increase in the duty is difficult. The impact depends largely on assumptions of how much of the duty increase would be passed through to retail. Toyota has announced a price increase of $800 per truck. Toyota believes the 25 percent tariff will result in a 30 percent decrease in all imports of mini-pickups. Toyota claims it could be subject to dumping charges if it absorbed a substantial portion of the 25 percent duty. The recent erosion of the yen/dollar exchange rate has considerably narrowed profit margins and could further support such dumping charges.

U.S. Government estimates indicate that the price increase could range from $800 (or 16 percent) to $400 (or 8 percent) per truck. In the former case imports would fall by approximately 26 percent and in the latter by 13 percent. In view of the recent appreciation of the yen vis-a-vis the dollar, it is likely that the price increase would be closer to the high side of these estimates.

Some consumers will shift to domestic pickups and station wagons, others to imported small cars and station wagons, and others will defer purchases. To the extent that the higher duty on mini-pickups would lead to increased sales of domestic trucks, there could be a small increase in oil imports. The mini-pickups are more fuel efficient than the nearest, comparable U.S.-made pickup (half-ton) by an average of about 5 mpg when not loaded. However, the fuel economy advantage of the imports decreases as the pay load increases. The new Corporate Average Fuel Economy requirements will force fuel economy improvements on U.S.-made trucks thereby reducing fuel economy as a distinguishing feature in the next few years.

Projections indicate that the total U.S. production of mini-pickups will remain at the 30,000 units made by Volkswagen until model year 1982 even if the 25 percent reclassification occurs. GM will at that time have a plant in operation with a capacity of 250,000 to 300,000 mini-pickups. In 1983 Nissan's U.S. production will enter the market with 120,000 units. It is anticipated that Ford will announce plans to build mini-pickups.

Customs and Nissan officials indicate that exporters and importers will have difficulty finding a new loophole to circumvent reclassification. Toyota is reviewing the possibility but doubts that it will be economically feasible. Ford, Chrysler and GM indicate they are not exploring a new loophole. In order to be dutiable at the cab chassis rate manufacturers could increase substantially the U.S. value added, labor or parts, or they could remove the cab entirely. Customs will rule on particular configurations on a case-by-case basis. Customs has not yet received a formal request for a new ruling.

Options

Option I: Seek to negotiate the best possible package of concessions from Japan before reclassification is implemented August 21, 1980. Whatever concessions are obtained will be accepted as adequate. Before reclassification is implemented, the 25 percent tariff would be permanently reduced or suspended for 2-3 years to 8.5 percent. Suspension for 2½ years would give Nissan time to complete its U.S. truck plant and keep the pressure on Toyota to build in the U.S. In reducing the duty your proclamation would: a) note Japan's recent liberalization of automotive standards and auto parts tariffs; b) note that a six-fold increase in the tariff on this $1.4 billion item would aggravate inflation and provide only minor immediate benefit to U.S. industry or labor; and c) note that the 25 percent penalty duty was directed at the EC, not Japan. (Given the large volume of trade, if the 25 percent truck tariff is maintained, reclassification would result in an increase of the average U.S. tariff on dutiable imports of all Japanese products of 1.08 percentage points, eliminating almost half of the 2.2 percentage point reduction which will result from tariff cuts agreed to in the MTN.)

Pros

-- Avoids the inflationary effects of reclassification.

-- Reduces political and trade friction with Japan during a time of political transition in Japan.

-- Consistent with the open market position you have taken on auto imports.

-- A suspension for 2½ years would help Nissan in moving production to the U.S.

Cons

-- At a time of falling auto sales and increased auto unemployment, would be criticized by the UAW, most of the domestic auto industry, and many Congressmen; would increase pressure for restrictive legislation on autos.

-- Reduces the negotiating leverage that the 25 percent duty provides.

Option II: Use the bargaining leverage to negotiate a significant package of acceptable concessions from Japan in return for lowering the 25 percent duty on trucks. Any concessions package would be submitted to you for approval. If negotiations are successful, then reduce the duty from 25 percent to a lower level--not less than 6.8 percent. The reclassification would go into effect if no agreement were reached by August 21, 1980.

Pros

-- Utilizes the leverage of reclassification to seek trade concessions we have been seeking unsuccessfully from the Japanese.

-- Congress would probably support the 25 percent duty as leverage if we get meaningful concessions.

-- Would be responsive to Congressional and public concern over rising U.S. trade deficit with Japan and continuing Japanese import barriers.

-- Reduces friction with Japanese by agreeing to negotiate now.

Cons

-- Negotiations might yield minimum results which would anger industry and labor and endanger our earlier decision not to seek voluntary restraints on Japanese car imports. Short of an OMA limiting Japanese autos, it is highly unlikely we could get sufficient concessions in the auto sector to satisfy the U.S. auto industry. An OMA is a possibility only after the USITC finds injury in its Section 201 investigation.

-- If the concessions are primarily in non-auto sectors, it might appear that a negotiating chip that could have helped the troubled U.S. auto industry had been wasted.

-- May cause political problems with the Japanese who may resent being asked to pay for removal of a penalty duty levied against the EC at a time when we continue to need their close support on Iran and Afghanistan. They believe that under the GATT they are entitled to 8.5 percent, a position we are prepared to contest.

-- If we are unable to reach a satisfactory agreement with the Japanese, we would be left with a 25 percent duty on an item not now in significant production in the U.S. although comparable models could be available as early as model year 1982.

Option III: Implement reclassification and hold the truck tariff at 25 percent for the time being. Inform the Japanese that in the current political and economic climate in the U.S., we do not believe that negotiations would prove successful. We will continue to consult with the Japanese on the situation and will be willing to negotiate a reduction in the truck tariff when it becomes feasible and appropriate.

Pros

-- Would be responsive to demands of many in the U.S. auto industry who seek some protection from imports in a recession, even though it does not affect passenger cars.

-- Would minimize the chance of negotiations that might yield minimum results which would anger industry and labor and endanger our earlier decision not to seek voluntary restraints on Japanese car imports. Short of an OMA limiting Japanese autos, it is highly unlikely we could get sufficient concessions in the auto sector to satisfy the U.S. auto industry. An OMA is possible only after the USITC finds injury in its Section 201 investigation.

-- Would be responsive to Congressional and public criticism that we do not deal firmly enough with Japan and that we are not sufficiently concerned with our growing trade deficit with Japan.

Cons

-- May cause serious political problems with the Japanese affecting not only auto issues but possibly broader cooperation as well.

-- Would place a 25 percent duty on an item not currently produced in significant quantity in the U.S. although comparable models could be available as early as model year 1982.

-- Would have inflationary impact.

Decision

Option I: Negotiate the best possible package of concessions before reclassification is implemented August 21, 1980. Accept whatever is negotiated and reduce or suspend the duty to 8.5 percent before it is applied.

Supported by: State.

Approve_____

Disapprove_____

Option II: Negotiate a reduction in the truck tariff from 25 percent to 6.8 percent or anywhere in between in return for Japanese concessions large enough to offset significantly domestic political opposition. The package of concessions would be submitted for your approval. If unsuccessful, the 25 percent duty will be applied.

Supported by: Treasury, NSC, CEA, Justice, Agriculture.

Approve ✓

Disapprove_____

Option III: Inform the Japanese that we are unable to negotiate a reduction in the 25 percent truck tariff until the domestic political and economic climate improves.

Supported by: USTR, Commerce, Labor, Transportation.

Approve_____

Disapprove_____

THE WHITE HOUSE
WASHINGTON

7/7/80

Mr. President --

Just f.y.i. re "talking points" in the event it comes up.

You have sent get a get well letter from Americus to Claudia Townsend's father, Don, who was admitted to St. Josephs (Atlanta) with a bad heart attack (actually now diagnosed as heart failure). (I also called Hal Gulliver to see if he could be of some help to Claudia, who is alone there taking care of her mother too.)

You have also sent one to Walt Rodgers' (AP) son who is in the hospital in traction, etc., in London after a bad automobile accident....and who won't be able to come home until at least August... and who is alone over there (mother came back to States) at 14 years of age.

--ssc

Frank Cormier's mother apparently is dying; his father passed away a few months ago.

Cell Box 11-7/10

THE WHITE HOUSE

WASHINGTON

July 17, 1980

MEMORANDUM FOR THE PRESIDENT

FROM: GENE EIDENBERG Gene

SUBJECT: Status of Latest Miami Disturbances

There have been limited, but serious, disturbances in Miami's black Liberty City neighborhood the past two nights.

Tuesday evening's violence began with the shooting of a white Miami plain clothes police officer who was making an arrest. The shooting was a sniping incident. The officer was shot in the back, is still hospitalized, but is not seriously wounded. There was a massive show of police presence following the sniper incident. During the night one gas station was burned, there was sporadic rock and bottle throwing, and four additional police officers were wounded (none seriously) by sniper fire.

Last night there were isolated acts of vandalism and looting.

The assessment of local authorities is that this situation will not develop into major and large scale rioting. There is no widespread community anger over any single event which would sustain any such development. Rather, there is the expectation of continued localized vandalism or other acts of violence by gangs of young people.

The situation remains tense but controlled.

A federal grand jury is continuing to hear evidence in the civil rights cases against the police officers earlier acquitted by state courts in the death of the black insurance executive, Mr. McDuffie.

Under my direction, the federal interagency task force on Miami is implementing the assistance package announced last month (press release attached).

If the issue of the disturbances of the past two evenings is raised with you, I suggest the following response:

- Federal, state, and local governments are working together to assist in meeting the legitimate employment and social service needs of Miami's black community;

- Violence, shooting and gang activities cannot be tolerated;

- Vigorous local law enforcement is an appropriate response to protect the vast majority of law-abiding citizens in Liberty City who are the victims of such violence and terror tactics.

AT 2:00 P.M. EST

JUNE 27, 1980

Office of the White House Press Secretary

THE WHITE HOUSE

The White House today announced the Federal government's initial commitment of resources to assist in the rebuilding of the Liberty City and other riot-torn areas of Miami, Florida. Gene Eidenberg, Assistant to the President for Intergovernmental Affairs, and Frank N. Jones, Chairman of the Federal Interagency Task Force on Miami, announced a 7 agency program at Miami City Hall.

The program of federal aid focuses on both short-term and long-term employment. It includes both new and reprogrammed monies to the Miami-Dade area. In making the announcement, Eidenberg emphasized that, "This announcement reaffirms President Carter's promise that the Federal government would play a role in the rebuilding of the Liberty City community. However, as the President emphasized in his meeting with community leaders on June 10, the Federal government cannot solve the problems that caused the riot by itself. The state and local governments, and particularly the private sector, must play the lead role in addressing the complex issues facing Miami."

The 7 agency program includes:

- $4.280 million for U.S. Department of Labor training and job programs;
- $5 million for both short and long-term economic development from the Economic Development Administration.
- $17.3 million of expedited Urban Mass Transportation Administration funds to provide jobs for black contractors;
- $40 million for small businesses impacted by the civil disturbances from the Small Business Administration;
- $1.3 million for anti-crime efforts in public housing projects in Liberty City;
- $2 million of Law Enforcement Assistance Administration reprogrammed to the area for criminal justice programs;
- $1,250,000 for health and human service efforts in the impacted areas from the Department of Health and Human Services.

Frank Jones announced that he has submitted his Interagency Report on the riot in Miami to the White House. The Report is being reviewed by White House staff.

The Report includes a number of specific recommendations to revitalize the impacted areas, emphasizing economic development, in general, and the specific needs of the black-owned businesses. The Task Force recommends that the President appoint a Federal Coordinator in order to insure that federal agencies continue to work in a coordinated manner in the Miami rebuilding effort.

The Report noted the efforts being made by State and local governmental agencies, by the business sector, and by community organizations to find jobs for those who are unemployed due to the disturbances.

MORE

It praises the cooperation between the area's three Chambers of Commerce, representing the white, black and Latin business sectors in the post-riot. The Federal government will continue to work with all the parties at the state, local, and private sector levels to ensure the success of these initiatives.

# # #

Out Box 7/16/80
Sapelo Island, Ga

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

July 14, 1980

C

MEMORANDUM FOR THE PRESIDENT

From: Charlie Schultze CLS

Subject: Unemployment and Recovery in 1981

In recent weeks I have been making two points about the economic outlook that may have sounded inconsistent:

1. There is a reasonable probability that the current recession will reach bottom sometime before the turn of the year, and recovery will occur in 1981 even without any new economic policies.

2. Without a tax cut the unemployment rate, after increasing in 1980, will not be reduced in 1981 -- indeed, it could rise even further.

The two statements are not inconsistent. With a growing labor force and a rise in productivity, it requires some increase in GNP simply to hold unemployment constant.

This can be illustrated by the forecast we now plan to use for 1981:

- GNP rises by 2.6 percent from end 1980 to end 1981.

- But productivity (GNP per worker) grows by 1.0 percent over this period.

- As a consequence, employment increases by 1.6 percent (2.6 minus 1.0).

- This 1.6 percent growth in employment is (by coincidence) equal to the 1.6 percent expected growth in the labor force.

- Therefore, unemployment during 1981 stays approximately unchanged at its 4Q 1980 level of 8-1/2 percent.

In general, our assumptions are conservative. Normally in a recovery, productivity rises more rapidly than we have assumed for 1981. Our projected increase in employment is therefore relatively large compared to the increase in GNP. This is the main reason why our unemployment forecast, in the absence of a tax cut, is more optimistic than that of most other forecasters.

	FOR STAFFING
	FOR INFORMATION
/	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
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			WEDDINGTON
			WEXLER
			BRZEZINSKI
			MCINTYRE
			SCHULTZE
			ANDRUS
			ASKEW
			BERGLAND
			BROWN
			CIVILETTI
			DUNCAN
			GOLDSCHMIDT
			HARRIS
			KREPS
			LANDRIEU
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		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

THE WHITE HOUSE
WASHINGTON

Susan

R.J.

date letters!

THE WHITE HOUSE

WASHINGTON

July 1, 1980

MEMORANDUM FOR THE PRESIDENT

FROM: HUGH CARTER

SUBJECT: Captain Pratt's Daily Journals

After Aunt Helen Pratt's death last April, I heard through my father and Betty Carter that Mrs. Frank Miller (the lady who cared for Aunt Helen for years) was interested in your having Captain James Pratt's daily journals that had been in Aunt Helen's possession.

Marie Allen (National Archives) and I called Mrs. Miller, and subsequently the journals were sent here. They are now being re-bound and preserved by Archives for inclusion in the Carter Archives.

I thought you might like to send a thank you letter to Mrs. Miller, Dad and Betty (attachment A), and also see a brief summary of the journals and some sample entries (attachment B).

THE WHITE HOUSE

WASHINGTON

To Louise and Frank Miller

I was so sorry to hear of the death of Aunt Helen. You must miss her, but I hope you are comforted by the knowledge that the loving care you gave her filled her last years with joy.

When I talked to Aunt Helen several years ago, I was amazed by the sharpness of her mind, despite her being in her late 80's. My family and I deeply appreciate the affectionate relationship you maintained with her.

It was thoughtful of you to want to donate Captain Pratt's journals and other historical materials concerning the family to the Carter Presidential Archives. Her father's journals were among Aunt Helen's proudest treasures.

You and your family have my gratitude and my best wishes.

Sincerely,

Jimmy Carter

Mr. and Mrs. Frank Miller
Route 2, Box 35
Abbeville, South Carolina 29620

THE WHITE HOUSE

WASHINGTON

To Betty Carter

Thanks for keeping Hugh, Jr., in touch concerning the disposition of Captain Pratt's Daily Journals. I think Aunt Helen would have been pleased to know that the Journals will be preserved by the Carter Archives. You've been a big help!

Rosalynn joins me in sending our love and best wishes.

Sincerely,

Jimmy

Mrs. Alton Carter

Plains, Georgia 31780

THE WHITE HOUSE

WASHINGTON

To Hugh Carter

Hugh, Jr., has told me about your helpful role in having the daily journals of Aunt Helen Pratt's father come under the protection of the Carter Presidential Archives.

I appreciate your efforts, and I am sending you a copy of the letter I wrote to the Frank Millers.

Sincerely,

Jimmy

The Honorable Hugh A. Carter, Sr.
State Senator
Post Office Box 97
Plains, Georgia 31780

SUMMARY INFORMATION CONCERNING PRATT JOURNALS

The heirs of Miss Helen Pratt, Frank and Louise Miller of South Carolina, have donated to the Carter Archives five journals maintained from 1892 to 1911 by the President's great grandfather, Captain James Pratt.

Biographical Information About Captain Pratt

Captain Pratt lived from 1830-1911 in Abbeville County, South Carolina. He graduated from Erskin College, S. C., and served during the Civil War in Orr's Regiment, S.C. Rifles. During the last year of the War, he was Captain of Company "G", Orr's Regiment. After the Battle of Gains' Mill, Virginia, on July 27, 1862, he was cited in the report of Col. J. Foster Marshall as one of several officers "who passed through uninjured and deserve great credit for the coolness and bravery displayed by them throughout the engagement." Captain Pratt was a farmer by occupation.

He married three times, losing the first two wives by death. The President's grandmother, Nina Pratt Carter, was the daughter of the Captain's first wife, Sophronia Cowan. Helen Pratt, the owner of the journals for many years, was the only child of the Captain's third marriage to Julia K. Mabry.

Description of the Journals

The five journals consist of daily diary-type entries that concerned the routine events of Capt. Pratt's days: farming activities, trips to town or to church, visits from family members, illnesses among the hired hands or the family, weather conditions, etc. Enclosed with this summary is a sample listing of some entries from the volumes and Xerox copies of several pages.

When Helen Pratt died in April 1980, at the age of 92, the Millers, realizing the historical value of the journals, decided to give them to the National Archives. The Millers were not related to Helen Pratt, but took care of her for many years and were the sole beneficiaries in her will. The Millers will be signing a deed of gift for the journals. The journals are presently receiving restoration treatments in the Preservation Laboratory of the National Archives.

SAMPLE ENTRIES FROM JOURNALS

Jan. 12, 1892	My mother, Mrs. Mary Kay Pratt, died today. Age 82.
July 21, 1892	Nina and myself attend the missionary meeting at Little River church.
Aug. 1, 1892	Democratic meeting at Abbeville.
Aug. 10, 1892	I attend political meeting at Donaldville.
Aug. 11, 1892	W. A. Carter arrives for a visit. Aug. 12 W. A. and wife go to Due West Aug. 17 Billy Carter leaves for Georgia Aug. 24 Nina and I go to Abbeville. Aug. 25 Take Nina and the children to Verdery on their way home.
Feb. 3, 1893	Fortieth anniversary of my first marriage.
June 24, 1893	Billy and Nina Carter reach here from Georgia this afternoon. Nina comes for her Health which is very bad at this time. Their little daughter Ethel came with them. July 2 Nina improving slowly. Aug. 18 Go to Due West myself for a bottle of mineral water for Nina called the Matchless Mineral Water of Greenville. Aug. 24 Julia and Helen go home with her. Aug. 29 Julia and Helen return from Arlington.
Nov. 23, 1893	Spend at Exposition in Augusta. Nov. 24 Arrive at Arlington Georgia for visit. Nov. 25 Spend the day driving around and in the vicinity of Arlington. Very well pleased with the country. Nov. 29 Spend day in Augusta at Exposition grounds.
Sept. 10, 1894	Tent meeting closed today.
Sept. 11, 1894	Attend primary election at Hodges.
Feb. 11, 1897	I go to Little River Cemetery to put up Father's and Mother's tomb.
Apr. 14, 1901	Rev. McGee with us last night. Helen and I attend preaching at Bulough. Have a very good congregation and a good sermon by the Pastor.
June 22, 1901	My Daughter Nina Carter and three of her children arrive here today from Arlington on a visit to us. July 3 Go to Abbeville with Helen and Ethel. Have some hands hoeing cotton. Nina not so well. July 6 Nina and her children leave for their home in southwestern Georgia. Take them to the train at Verdery.

Apr. 19, 1902 — Get Robert Smith to look after my business while I am gone to the Confederate reunion at Dallas, Texas.

- Apr. 22 — Land in Dallas Texas about 10 AM.
- Apr. 23 — Go to the meeting of the old veterans. Meet a great many of my old friends and relatives. Some of them I had not seen for more than forty years. Spend the day in handshaking and greeting.
- Apr. 24 — Spend the day in Dallas seeing the city and greeting the people. Supposed to be 20,000 people in attendance at the reunion.
- Apr. 25 — Leave the city of Dallas for home, at 9 AM.

Mar. 23, 1906 — Meet my daughter Mrs. M. N. Carter from Plains, Georgia who has come on a visit to spend a few weeks with us.

- Apr. 4 — Daughter Nina Carter and myself visit Maxy Donnald's family at Due West.
- Apr. 15 — Nina and myself go up to Little River church today and take a drive around Nina's old training grounds over places she had not seen for twenty years.
- Apr. 23 — My daughter Nina Carter leaves for her home in Georgia. Put her aboard the car at Hodges Station.

May 18, 1907 — Go to Little River church myself to attend church conference.

July 14, 1907 — Attend preaching at Beulah. Sermon by a young man just entering the ministry by the name of John Warren, from the text John 3:16. Did well for a youth.

Sept. 18, 1907 — The survivors of Orr's Regiment has a reunion at Abbeville today and tomorrow. Go over to Abbeville myself this afternoon. See a good many of the old soldiers. Do not recognize many of them.

Apr. 19, 1908 — All of us attend Easter services at Abbeville today. A large crowd at the Methodist church. Some fine music and the church was very handsomely decorated in Easter style.

Aug. 27, 1908 — The unprecedented freshet has broken up all RR travel and communication of any sort. Nearly all RR bridges in the state are washed away.

- Aug. 28 — We are cut off from communication with the outside world. No public, no private intercourse, no mail from any district.

Feb. 26, 1909 — Go to Abbeville myself to deliver the butter and take Helen to recite her music. Sell six bales of cotton for nine and three-eighths cents per lb. Not much cotton on the market. Good many in town, it being court week.

1906

March Thursday		Fair & still cold. Go to Abbeville myself. [illegible]
	22	[illegible] afternoon, raining. The weather over. Attend [illegible] afternoon, [illegible] hauling wood.
Friday	23	Partly cloudy & not so cold, one wagon hauling wood from [illegible] & out wood afternoon & clean up a little. Go to Abbeville myself. Sold two bales of cotton 11 cents per lb. Brought home [illegible] Carter from plains. Gardens [illegible] (He stayed a few weeks with us)
Saturday	24	Cloudy with cold East wind, all day very disagreeable day. Have four plows breaking stubble. Just finished [illegible] this week. Not much doing today, one week today too cold & disagreeable.
Sunday	25	Still cloudy with cold East wind, about as disagreeable weather as we have had this winter. We have not planted a seed of any kind in the garden yet. Have a few attend preaching today.
Monday	26	Cloudy & more pleasant [illegible] afternoon. Have [illegible] plows running, one plow [illegible] cotton rows. The girls have made one plow breaking stubble, but [illegible] stubble.
Tuesday	27	Raining commenced last night [illegible] afternoon commenced raining [illegible] & up to now [illegible]
Wednesday	28	Partly cloudy & warm. Hands cutting wood. Go to Abbeville myself on some business. Met Mrs. Swan. Mrs. of Abbeville & Mrs. Fanny Calder of Rock Mount. We spend the day with us.
Thursday	29	Rain last night & all [illegible] day. Go to Greenwood [illegible]
Friday	30	Partly cloudy & [illegible]
Saturday	31	Cloudy but no [illegible]

April 1896

Sunday	1	Cloudy with cold East wind forenoon [illegible]
Monday	2	[illegible]
Tuesday	3	[illegible]
Wednesday	4	[illegible]
Thursday	5	[illegible]
Friday	6	[illegible]
Saturday	7	[illegible]
Sunday	8	[illegible]
Monday	9	[illegible]
Tuesday	10	[illegible]

Out Box 7/16/80

EYES ONLY

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

July 15, 1980

EYES ONLY

MEMORANDUM FOR THE PRESIDENT

From: Charlie Schultze CLS

Subject: Industrial Production in June
(to be released July 17, 9:30 a.m.)

Industrial production fell 2.4 percent in June, the same as in May and slightly more than in April.

Auto production rose slightly, but production declined widely in other industries. Steel output fell 11 percent after declines of 8 and 14 percent in April and May.

It is probably the case that the June decline in production reflects less a fall in sales and more a decline in inventories than was the case in earlier months. Inventories are now being brought into line with lower sales with unusual rapidity. This makes for a very steep recession, but -- subject to one qualification -- may also promise a short recession, since no inventory hangover is left to work off once sales stop falling. The qualification: if the layoffs associated with the inventory cutback scare other consumers into holding back on purchases, then a cumulative downward force can develop. So far, the retail sales numbers do not suggest that is happening.

Auto sales, first ten days of July

Seasonally adjusted, domestic auto sales in the first ten days of July jumped sharply, to an annual rate of 6.9 million units (compared to a 5.1-5.3 million rate in May and June).

I am not yet sure whether to believe this very good signal. Actual sales in the first ten days declined slightly, but much less than would have been expected in a period containing the long July 4 weekend. For that reason the seasonally adjusted numbers show a large increase. If the higher sales persist in the current ten day period, then we can begin to believe the numbers.

Housing starts up 30%

IMMEDIATE
PRECEDENCE

UNCLAS
CLASSIFICATION

FROM: STU EIZENSTAT

TO: SUSAN CLOUGH FOR
THE PRESIDENT

INFO:

RELEASED BY:

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PAGES 3

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1980 JUL 9 P 8: 22
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SITUATION ROOM

SPECIAL INSTRUCTIONS:

TOKYO -- FOR DELIVERY UPON OPENING
OF BUSINESS

1980 JUL 9 19 15

WHCA FORM 8, 22 FEB 74

THE WHITE HOUSE

WASHINGTON

July 9, 1980

MEMORANDUM FOR THE PRESIDENT

FROM: STU EIZENSTAT Stu

Attached is a draft letter from you to ITC Chairman Alberger formally requesting that he expedite the investigation on automobile imports. The text of this letter has been cleared with STR and DOT.

We would like to have your approval of the text as soon as possible, for once the letter is sent to Alberger he will convene the ITC. He would like to do that on Friday, and would therefore like to receive this letter tomorrow.

Bob Hormats of STR has recently talked with Alberger about the expedited investigation, and Alberger's best judgment now is that with an expedited procedure the Commission will make its findings in late-September with recommendations of relief, if any, in mid-October. This would be about two months ahead of the ITC's current schedule for acting on this investigation. To make certain that this expedited schedule is adopted, Alberger wants to convene the other Commissioners this week, when the impact of your announcement is still fresh.

If Susan can let me know of your approval, or your changes, I will then make the necessary preparations to get the letter delivered tomorrow.

DRAFT:7/9/80

To Chairman Alberger

You are now beginning an investigation under Section 201 of the Trade Act of 1974 to determine whether domestic producers of passenger cars, light trucks, vans, and general utility vehicles are being seriously injured, or threatened with serious injury, substantially caused by increased imports.

Given the widespread attention in this country to recent developments in the automotive sector, this investigation (TA-201-44) has become a matter of great national and international importance. I urge you to conduct your work as expeditiously as is practicable (pursuant to Section 201 (d)(2)), so that all of those involved will not be burdened for a period of 6 to 8 months with the uncertainty such a case creates. This case touches so many businesses, workers, and consumers in this country that an investigation of normal length could cause major uncertainties which could significantly affect automobile trade and production. At the same time, of course, it is critical that all parties have a full opportunity to be heard and to submit information and arguments that must be considered in your deliberations.

The Commission faces a challenging task and carries a great responsibility in this investigation. I recognize that your current workload is substantial, but I would deeply appreciate your efforts to accelerate your schedule on this important case.

My Administration stands ready to assist the Commission in whatever manner you feel would be appropriate.

The Honorable Bill Alberger
Chairman
U.S. International Trade Commission
Suite 274
701 E Street, N.W.
Washington, D.C. 20436

Immediate
PRECEDENCE

Unclassified
CLASSIFICATION

FOR COMMCENTER USE ONLY

DEX 04

DAC _____ GPS _____

LDX _____ PAGES 1

TTY _____ CITE _____

FROM: U.S. Treasury

TO: James Carter

INFO:

DTG: 091200Z JUL 80

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TOR: 091220Z JUL 80

SPECIAL INSTRUCTIONS:

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WHCA FORM 8, 22 FEB 74

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JAYRENFRO NPBH

NEWPORT BEACH CA JULY 9

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3387

ATTN: JAMES CARTER, PRES.

FREE ENTERPRISE MEANS, BIG BROTHER AND ALL THE POOR FOLK WHO PAY DO NOT SUPPORT POOR MANAGEMENT AS THE AMERICAN MOTOR INDUSTRY HAS BEEN FOR 15 YEARS.

SPEAKING OF POOR MANAGEMENT - HOW DARE OUR GOVERNMENT DO SUCH A THING, SIRE!!

JAN FIORETTO

BEN BARNETT

PAT HILL

JANET MENDOZA

NENA ZIEGLER

JOAN CARROLL

PAMELA S. STANSON

VALERIE HELS

C/O JAY & RENFRO

TWX9105961356

IMMEDIATE	UNCLAS
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FROM: STU EIZENSTAT

TO: SUSAN CLOUGH FOR THE PRESIDENT

INFO:

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DEX

DAC 037

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PAGES 2

TTY

CITE

DTG: 091915Z JUL 80

TOR: 091930Z JUL 80

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SPECIAL INSTRUCTIONS:

TOKYO -- FOR DELIVERY UPON OPENING OF BUSINESS

WHCA FORM 8, 22 FEB 74

THE WHITE HOUSE

WASHINGTON

July 9, 1980

NOTE FOR THE PRESIDENT

FROM: STU EIZENSTAT SHE

The Justice Department has suggested the attached signing statement in the event that you decide to sign the Soft Drink Interbrand Competition Act (S. 598).

We have no disagreement with the statement, which reiterates Chairman Rodino's views on the bill. The text of the statement has been cleared by the speechwriters.

I am today signing into law S. 598, the "Soft Drink Interbrand Competition Act." The purpose of this legislation is to "clarify the circumstances under which territorial provisions in licenses to manufacture, distribute, and sell trademarked soft drink products are lawful under the antitrust laws."

Since 1971, soft drink bottlers have been faced with the uncertainty created by pending legal proceedings challenging the legality of territorial provisions in their franchise agreements. As the Report of the Committee on the Judiciary of the House of Representatives explains, this legislation is intended simply to eliminate that uncertainty by reaffirming legislatively the rule of reason approach followed by the Supreme Court in Continental T.V. Inc. v. GTE Sylvania, Inc., 433 U.S. 36 (1977). While I have had misgivings about the language of earlier versions of this bill, I believe that the amendments adopted by the House of Representatives, and agreed to by the Senate, have met the objective of eliminating that uncertainty. The House Report emphasizes that the Act "does not grant antitrust immunities." Under these circumstances, I do not believe that the bill establishes a special antitrust exemption or permits otherwise illegal restrictions on competition.

IMMEDIATE	UNCLAS
PRECEDENCE	CLASSIFICATION

FROM: THE VICE PRESIDENT

TO: SUSAN CLOUGH FOR THE PRESIDENT

INFO:

RELEASED BY:

FOR COMMCENTER USE ONLY

DEX

DAC 034

GPS

LDX

PAGES 3

TTY

CITE

DTG: 0916467 JUL 80

TOR: 0917027 JUL 80

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SPECIAL INSTRUCTIONS:

TOKYO - PLEASE DELIVER UPON OPENING OF BUSINESS

1980 JUL 9 16 46

WHCA FORM 8, 22 FEB 74

THE VICE PRESIDENT
WASHINGTON

July 9, 1980

MEMORANDUM FOR THE PRESIDENT

FROM: THE VICE PRESIDENT

SUBJECT: ENROLLED BILL S. 2546 -- LINING THE BESSEMER DITCH

The good news is that Lindy Boggs has filed for re-election.

You had asked for an assurance that we would succeed in blocking any appropriation for the Bessemer Ditch Project. I can assure you that the Administration will be united in opposing it, and that I will personally make calls to help win this fight. While it has not been possible to reach the House and Senate Appropriations Subcommittee Chairmen, their staff report that the chances of funding in the FY 81 Energy and Natural Resources Appropriation bill are very doubtful. That obviously falls short of an absolute assurance, but under the circumstances it is the most we can get. It is unreasonable for two reasons to ask Senator Hart and Congressm na Kogovsek not to press for an appropriation for the bill:

- Such a commitment could not be kept confidential, and would be impossible to explain to the citizens of Pueblo.

- The citizens themselves are innocent victims whose homes are being flooded and without an appropriation it is unrealistic to expect that anything will be done about their problem over the next several years.

I strongly urge that you consider the following additional arguments for signature of the bill:

- The bill would not reverse the main body of the litigation in state and federal court since it states that Congress accepts no federal liability for past damages caused by the flooding. The litigation involved up to $100 million in damage claims, which the bill -- like the courts -- explicitly rejects.

- Both Hart and Kogovsek will support Administration arguments that this bill can be distinguished from the Ute Indian bills since there is provision for repayment to the Treasury of the bulk of the project's costs, and no one disputes the fact that the federal dam aggravated the seepage problem.

- There is virtually no net loss to the American taxpayer, given the small sum involved, and the payback provision which recaptures 65% of the cost.

- Neither the Justice Department, which litigated this issue, nor the Interior Department, which has responsibility for the project, felt strongly enough about it to recommend a veto.

- Other than OMB, all of your other advisors are united in recommending that the bill be signed. The House leadership (O'Neill, Udall) felt strongly enough to make a direct appeal to the White House.

Let me state the political issue a bit more forcefully.

- Kogovsek is a first term Democrat from a basically Republican District. His seat is in very grave danger. He has supported us on nearly every major vote in the Congress, many of which have been controversial in his district. We have already vetoed the Ute bill, which he co-authored in the House.

- As you know, many of these same arguments can be applied to Senator Hart, who was one of the very few members of the Senate to stand by us and publicly support us on the gasoline conservation fee. If this bill is vetoed it will mean that three of the five vetoes this year will be measures sponsored by Senator Hart.

- To veto yet another of their bills is to give more ammunition to those in the Congress who continually oppose us on the major issues. It weakens the hand of our friends.

Finally, from what I have gathered on the basis of admittedly quick research, Kogovsek may have been inadvertantly mislead about our position on the bill. The House Subcommittee staff may have told Congressman Kogovsek that the payback provision through higher charges for electrical power generated by the dam would solve the Interior Department's initial problems with the bill. I believe this was a genuine misunderstanding on the part of the Congressional staff and that the Interior Department never authorized such a statement on behalf of the Administration. Thus the depth of OMB's problem was never adequately understood.

For all of these reasons, I hope you can find a way to sign the bill.

.037
UI
BEGIN HEART ATTACK
URGENT

JERUSALEM (AP) -- ISRAELI PRIME MINISTER MENACHEM BEGIN HAD A ''SMALL HEART ATTACK'' TODAY IN PARLIAMENT AND WAS HOSPITALIZED, HIS PERSONAL PHYSICIAN, DR. MARVIN GOTTESMAN, ANNOUNCED.

GOTTESMAN SAID BEGIN WAS IN ''FAIR CONDITION.'' THE 66-YEAR-OLD PRIME MINISTER WAS UNDERGOING FURTHER TESTS AT HADASSAH HOSPITAL ''TO KNOW HOW MUCH DAMAGE WAS DONE TO THE HEART,'' THE PHYSICIAN SAID.
AP-WX-0630 1500EDT

THE WHITE HOUSE
WASHINGTON

Done
file

4/7/80

Mr. President:

As a follow-up to the meeting you attended with reps of the health care industry, the inflation task force recommends your participation in the attached list of industry meetings with the same format as the health care. Were you satisfied with that meeting ✓ yes ___ no and shall I schedule you into these suggested meetings?

✓ yes ___ no

Phil

INDUSTRY MEETINGS SCHEDULE

Planned Meeting Date	Industry Group	Inflation Rate* (last 3 months)	Percentage Share of Manufacturing
1. April 11	Industrial Chemicals	30.1	3.1
2. April ~~25~~ 24	Metal and Metal Products	28.8	6.5
3. May ~~8~~ 8	Construction Materials (Nonmetallic Minerals)	26.4	2.8
	Asphalt Roofing	53.4	---
	Concrete Ingredients	19.9	---
	Concrete Products	18.2	---
	Structural Clay Products	19.4	---
	Misc. (e.g., insulation)	38.0	---
4. May ~~25~~ 21	Agricultural Inputs		
	Fertilizer	45.3	---
	Equipment	14.8	1.9
5. June ~~8~~ 5	Manufacturing: Consumer Goods		
	Toys, Games, etc.	36.8	---
	Soaps and Detergents	15.9*	---
	Sporting Goods	15.9*	---
	Furniture and Bedding	12.4*	---
6. June ~~20~~ 17	Machinery		
	Construction Machinery and Equipment	21.1	1.9
	Electrical Machinery and Equipment	21.4	6.5
7. July 6	Paper and Allied Products	17.8	1.8
	Woodpulp	30.9	---
	Paperboard	26.9	---
	Bldg. Paper and Board	18.2	---

* Inflation rate figures marked by an asterisk are based on the CPI. All others are from the PPI. All data are on an annual basis.

To: Phil Wise

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

July 10, 1980

C

MEMORANDUM FOR THE PRESIDENT

From: Charlie Schultze CLS

Subject: Retail Sales in June

This afternoon at 4 p.m. the Bureau of the Census released its preliminary estimate of retail sales in June and revised figures for sales in April and May.

The new figures show some good news.

Total retail sales figures for April and May were revised up a little. In June retail sales increased another 1.4 percent above that.

Auto sales rose a bit in June, but remained very low. (We already knew that from other data.)

Outside of autos sales in June rose by a healthy 1 percent, back to their April level.

Some, but not all, of the June rise in sales was inflation -- there was an increase in real volume, the first since January.

One robin does not make a spring, but the figures suggest that the consumer is not running for the storm cellar, that auto sales have bottomed out at a very low level, and that other sales may be beginning to rise a bit.

July could possibly show further increases in retail sales, since the July social security checks will reflect the large (14 percent) increase in benefits due to indexing.

THE WHITE HOUSE

WASHINGTON

OUTBOX FROM PRESIDENT"S TRIP TO CALIFORNIA, JAPAN ETC...

FILED IN TRIP FILE.

ABOARD AIR FORCE ONE

JACK

HOW MANY
CUBANS ARE
WE PROCESSING
DAILY? 500?

ABOARD AIR FORCE ONE

Mr. President:

1) We are processing for resettlement now about 1000 people per day (roughly twice the rate of resettlement in 1975 for the Vietnamese)

2) We are processing through the INS/HHS/Security checks about 800 per day —

out 7/10/80

July 9, 1980

TO: THE PRESIDENT

FROM: JODY POWELL

SUBJECT: Your Television Interview Thursday Morning, July 10
7:40 AM

You are scheduled for a live television interview in the Ambassador's Residence tomorrow morning to deal in relatively general terms with the purpose of your visit to Tokyo, the prospects for U.S.-Japanese relations, and your meeting with Premier Hua of China.

The attached seating chart identifies the three senior Japanese newsmen, all of them Foreign News Editors, who will conduct the brief interview.

The broadcast will actually begin when you enter the living room of the Residence, walk over to shake hands with the three men and sit down, clip on a necktie mike and take the first question.

Following is the sequence of anticipated questions and the names of the respective interviewers:

1. Your attendance at yesterday's Memorial Service for the late Prime Minister was unprecedented. Could you share your impressions of the service and review your relationship with Prime Minister Ohira?
(Junji Kitadai, Tokyo Broadcasting System, a former New York and Washington Correspondent.)

You should keep your response to approximately two minutes.

2. How will Ohira's passing affect U.S.-Japanese relations? How do you see the bi-lateral relationship developing in the 1980's?

   (Takeshi Tsuda, Kyodo News Service, former Brussels and London Correspondent)

You should keep your response to approximately three minutes.

3. Strong as U.S.-Japanese ties are, there are also significant problems in our relations. What is your view of problems in the areas of trade and defense, as well as in the general international economic and energy spheres?

   (Toshio Iwasaki, NHK, former Washington Correspondent)

Again, your response should be approximately three minutes.

4. You are about to go across the street to meet Premier Hua of China, what are your expectations for those talks?

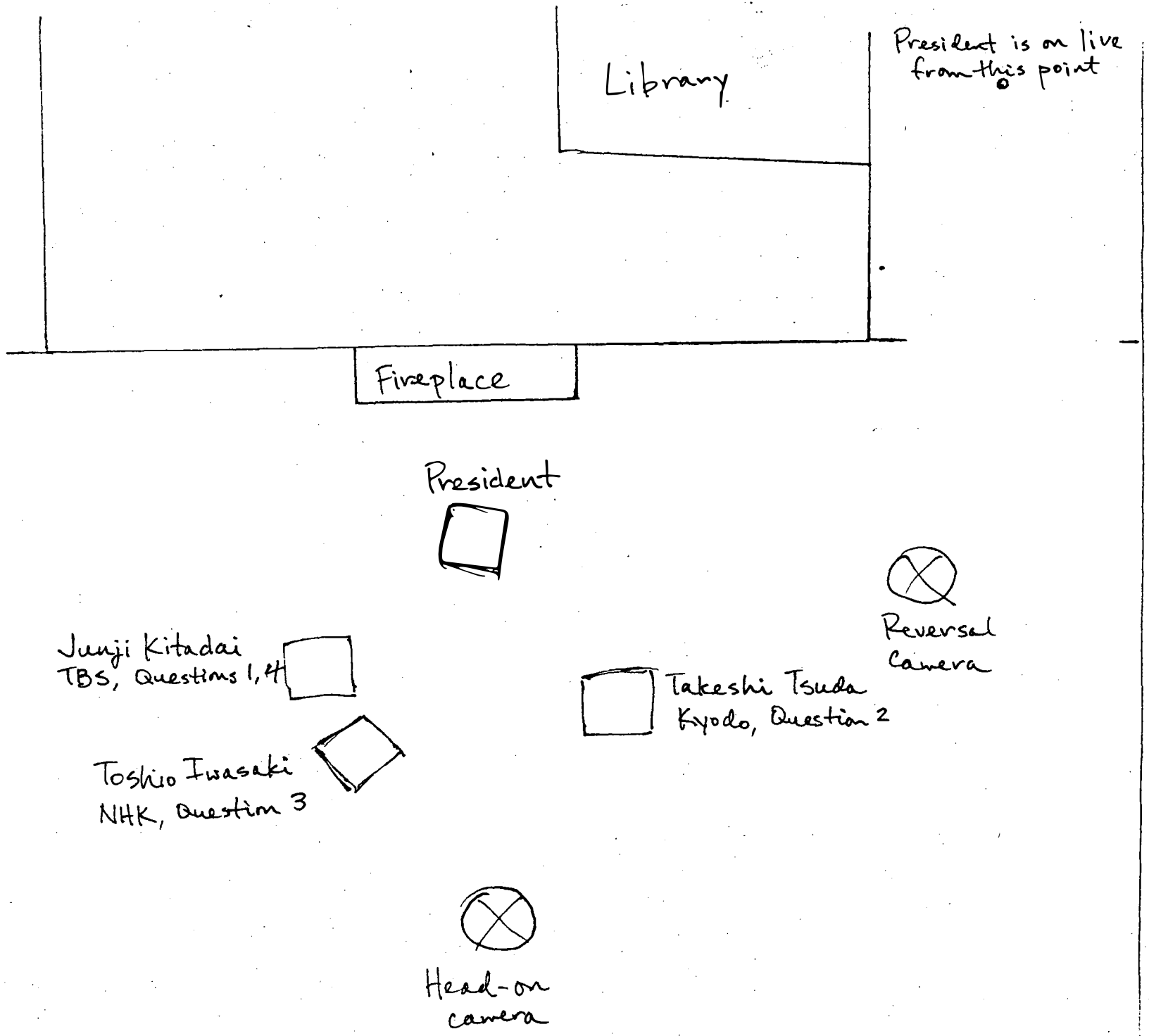
   (Mr. Kitadai of TBS, the first questioner)

You should have about two minutes for this final answer, and Mr. Kitadai will end the interview with a "Thank You".

To guide you on the time of your responses, there will be visible minute cards near the camera facing you. You may find the English pronunciation of the second and third questioners somewhat difficult to follow, but the substance of the questions they have agreed to pose is given above. Attached, in addition to the seating chart, are suggested talking points in response to the four questions.

Attachments

SEATING ARRANGEMENT



SUGGESTED TALKING POINTS

Question #1

First, I am very glad indeed that I was able to come to Tokyo to be among the late Prime Minister's many friends and admirers who paid tribute to him on this occasion. This was the first time I had the opportunity to attend a Japanese memorial service. I found it most dignified and impressive, conveying in a universal spirit the feelings one experiences anywhere in the world at the passing of a good friend and world leader. I was of course particularly moved by the recording of Mr. Ohira's remarks in the Rose Garden when I met with him in Washington just a few weeks ago. They brought home the warmth of his personality and his dedication not only to the advancement of his country's interests but in making this a better world for all of us. While it is not possible with the kind of jobs he had and I have to establish as frequent personal communication as we would like, That occasion was, I think, typical of our relationship. We became true friends and I looked forward to our meetings together. He was a kind, dedicated man, serious of purpose, but always of good humor and ready wit.

Question #2

Because of his long experience, Ohira had a major role in solidifying and expanding OUR relationship. In Washington last May he called it a "unique bond."

--Fundamental factors, however, govern OUR relationship: comity of interest; extensive net of political, economic, scientific, cultural ties; mutual confidence of allies.

--These will persist in 1980's and permit building further on what Ohira termed "productive partnership," a concept I fully share.

--No two overseas trading partners have more significant trade and investment ties with one another; these should and will grow.

--America has always looked westward, and personal exchange and cultural relations will expand.

--As leading economic powers, U.S. and Japan, most recently at the Venice Summit, renewed agreement to cooperate in addressing global problems, including energy, stable growth, aid to developing countries.

--In short, I see us building on solid accomplishments of 1970's in spirit of true partnership, with tremendous implications for rest of Asia and rest of world.

Question #3

Trade:

--The important point is not to lose sight of just how broad, complex and important our economic relations are. Important not only to both of us bilaterally but to the stability and health of the global economy.

--Each of us have domestic problems, particularly when our economies are not doing as well as we would like. It is important that we not act in ways which shift problem to others. We must guard against protectionism while managing cooperatively any problems that arise.

Defense:

--We generally find ourselves with common outlook on major world situations affecting security of our two countries, and this has been reflected in the way in which we address defense issues, working within the context of the Mutual Security Treaty.

--Clearly world situation has changed radically in past year--- Afghanistan.

--Have to work closely together in meeting challenge of growing Soviet military power.

--We have good consultative mechanisms in place for purpose.

--All of us have had to make sacrifices to keep our defense establishments strong.

--I am confident Japan will continue to make steady and significant progress in this area.

Question #4

--As you are aware, Premier Hua accepted an invitation to visit the United States extended to him by Vice President Mondale in the course of his trip to China last summer.

--That visit was tentatively set for early this year, and would have represented the first opportunity for me to meet with Premier Hua.

--For a variety of reasons, however, it was not possible to schedule that visit as planned.

--~~So now~~, When both Premier Hua and I have come to Japan to pay our last respects to Prime Minister Ohira, we thought that we might make use of this occasion to meet each other for the first time.

--I do not think it would be appropriate to go into the details of what we might discuss. But in general terms I would expect to review with Premier Hua both bilateral and international issues of mutual interest. We share common strategic concerns

- South East Asia
- West Asia

THE WHITE HOUSE
WASHINGTON

Rick -- FYI
Z.B. has original
M.

ID3677

July 14

MEMORANDUM

4021 ~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

THE WHITE HOUSE

WASHINGTON

July 11, 1980

C

MEMORANDUM FOR: THE PRESIDENT

FROM: ZBIGNIEW BRZEZINSKI

SUBJECT: High-Level U.S. Delegation to the Inauguration of Peruvian President (C)

We have just received the attached memorandum from Secretary Muskie recommending that Mrs. Carter head a high-level delegation to President Belaunde's inauguration in Peru on July 28. (C)

I recommend that you approve this proposal for two reasons. First, since Mrs. Carter led the delegation to the inauguration of the President in Ecuador, her absence on this important occasion could be misinterpreted as a slight to Peru and her new pro-American President. Second, and more important, the Carter Administration is identified with the redemocratization of Latin America, and the Peruvian inauguration provides an excellent opportunity to reaffirm our support for the process. Frankly, it would also be helpful for the American people to see this success of the Carter Administration in Latin America. (C)

RECOMMENDATION:

1. That the First Lady head a delegation to the Peruvian inauguration.

Approve ✓ Disapprove

2. If the First Lady can't do it, either the Vice President or Secretary Muskie should.

Approve Disapprove ✓

It's ok for her to go

J

~~CONFIDENTIAL~~
Review on 7/10/86

DECLASSIFIED
E.O.12958, Sec.3.6
PER 5/19/99 NSC RE NLC-98-259
BY NARS. DATE 5/25/99

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

THE SECRETARY OF STATE

WASHINGTON

(Entire Text)

8014719

rec'd - Mrs. July 8

July 3, 1980

MEMORANDUM FOR: THE PRESIDENT

From: Edmund S. Muskie ESM

Subject: High-Level U.S. Delegation to Inauguration of Peruvian President

ISSUE FOR DECISION

Whether you should ask the First Lady to head the U.S. delegation to the inauguration of Fernando Belaunde Terry as President of Peru.

ESSENTIAL FACTORS

The inauguration of Fernando Belaunde Terry on July 28 will constitute a major victory for democratic rule in Latin America, and is most gratifying in terms of your policy objectives toward the region. USG support for democratization in Peru has been a significant factor in the present military government's commitment to the process. It is therefore fitting that the U.S. should acknowledge the importance of Peru's return to democratic rule after 12 years of, at times, turbulent and arbitrary military rule by sending a high-level delegation to Lima. We have been invited to send a three-member delegation, including the ambassador accredited in Lima.

I believe the First Lady, who made a most favorable impact on U.S./Peruvian relations during her 1977 trip to Peru, would admirably advance U.S. interests by heading the delegation to Lima.

As Mrs. Carter will recall from her leadership of the U.S. delegation to the inauguration of President Roldos of Ecuador, such a presidential inauguration presents an excellent opportunity to meet and hold serious discussions

~~CONFIDENTIAL~~ 5/25/99

GDS 7/3/86

with a broad range of chiefs of state and other high-ranking officials. We expect the presidents of Venezuela, Colombia, Bolivia, Costa Rica and Argentina to go to Lima; other chiefs of state who may attend include those of Panama, Nicaragua and El Salvador. Spain will be represented by its prime minister. The Soviet Union probably will be represented by one of its vice presidents. OAS Secretary-General Orfila is planning to attend. Most of the other Latin American countries will be represented by foreign ministers or others of Cabinet rank.

Belaunde also invited a number of prominent Latin American democratic leaders to his 1963 inauguration, although they attended as his friends rather than as members of their countries' official delegations. Among these were Rafael Caldera of Venezuela, Carlos Lleras of Colombia, and Eduardo Frei of Chile. All went on to become their countries' presidents, and these and other prominent personages can be expected to attend Belaunde's inauguration.

We will work with members of your staff on suggestions for other members of the delegation.

Recommendation:

That you send a presidential delegation to the Peruvian inauguration headed by the First Lady.

Approve ✓ Disapprove ⊘

THE WHITE HOUSE

WASHINGTON

18 Jul 80

FOR THE RECORD

STU EIZENSTAT RECEIVED A COPY OF THE ATTACHED.

SSC - received
7/17/80

CONFIDENTIAL

SC - TC w Rick Hutchison
7/17/80

THE WHITE HOUSE

WASHINGTON

July 16, 1980

MEMO FOR SUSAN CLOUGH

FROM: STU EIZENSTAT Stu

We expect the Canadians to reach an agreement on the Alaskan Pipeline by noon Thursday, and to announce that agreement shortly thereafter.

The attached statement from the President would be in response to the Canadian statement. Therefore, I hope the President can review and approve this statement early Thursday. (Before noon)

CONFIDENTIAL

CONFIDENTIAL

THE WHITE HOUSE

WASHINGTON

July 16, 1980

MEMORANDUM FOR THE PRESIDENT

FROM: STU EIZENSTAT Stu

SUBJECT: Alaska Natural Gas Transportation System

It is likely that the Canadian Cabinet will approve their "prebuild" portion of the Alaska Natural Gas Transportation System (ANGTS) on Thursday, July 17. This "prebuild" portion of the pipeline in Canada must go forward this summer to avoid slippage in the entire construction schedule. As you know, this will be the largest construction project in history, and will produce natural gas supplies equivalent to 400,000 barrels of oil per day.

Attached is a proposed Presidential statement for release Thursday afternoon. Also attached is the text of a letter, which you previously approved, to Prime Minister Trudeau. With your approval we plan to release the statement tomorrow afternoon and the text of the letter to the Canadian government.

The letter states that the Administration remains committed to the completion of ANGTS and stands ready to "take appropriate action" to meet the objective of completing the project by 1985. This does not, however, make a binding commitment to provide Federal financial backing for the pipeline.

The letter also states that if the Canadian segment is completed, but the American segment is delayed, you will seek Congressional approval to allow the Canadians to recover their costs from the American companies. This amounts to a commitment to seek a Congressional waiver of one provision in your 1977 Decision. While this represents the first departure from your original decision, it is necessary to assure investment bankers in the Canadian segment that their costs can be recovered in the event of delays in the U.S.

DOE has also cleared the contents of this letter through the principal Congressional chairmen (Jackson and Dingell).

As we indicated in our earlier memorandum, based on DOE's assurances that the letter does not move the government any closer to agreeing to Federal loan guarantees and that it is necessary for Canadian approval of "prebuild", Lloyd Cutler, OMB and I recommend your approval of the letter. To ensure against the possibility that

CONFIDENTIAL

the Canadian government might at some future date argue that the letter does imply a commitment to provide loan guarantees should all other approaches fail, we will review DOE's record of conversations with the Canadians on this subject tomorrow morning.

Approve letter and statement (Cutler, DPS, DOE, OMB, NSC, State) ✓ ok as edited J

CONFIDENTIAL

THE WHITE HOUSE

WASHINGTON

Dear Mr. Prime Minister:

Since you last wrote to me in March, the United States Government has taken a number of major steps to ensure that the Alaska Natural Gas Transportation System is completed expeditiously.

Most significantly, the Department of Energy has acted to expedite the Alaskan project. The North Slope Producers and Alaskan segment Sponsors have signed a joint statement of intention on financing and a cooperative agreement to manage and fund continued design and engineering of the pipeline and conditioning plant. The Federal Energy Regulatory Commission recently has certified the Eastern and Western legs of the System.

The United States also stands ready to take appropriate additional steps necessary for completion of the ANGTS. For example, I recognize the reasonable concern of Canadian project sponsors that they be assured recovery of their investment in a timely manner if, once project construction is commenced, they proceed in good faith with completion of the Canadian portions of the project and the Alaskan segment is delayed. In this respect, they have asked that they be given confidence that they will be able to recover their cost from U.S. shippers once Canadian regulatory certification that the entire pipeline in Canada is prepared to commence service is secured. I accept the view of your government that such assurances are materially important to insure the financing of the Canadian portion of the system.

Existing U.S. law and regulatory practices may cast doubt on this matter. For this reason, and because I remain steadfastly of the view that the expeditious

CONFIDENTIAL

construction of the project remains in the mutual interests of both our countries, I would be prepared at the appropriate time to initiate action before the U.S. Congress to remove any impediment as may exist under present law to providing that desired confidence for the Canadian portion of the line.

Our government also appreciates the timely way in which you and Canada have taken steps to advance your side of this vital energy project. In view of this progress, I can assure you that the U.S. government not only remains committed to the project; I am able to state with confidence that the U.S. government now is satisfied that the entire Alaska Natural Gas Transportation System will be completed. The United States' energy requirements and the current unacceptable level of dependence on oil imports require that the project be completed without delay. Accordingly, I will take appropriate action directed at meeting the objective of completing the project by the end of 1985. I trust these recent actions on our part provide your government with the assurances you need from us to enable you to complete the procedures in Canada that are required before commencement of construction on the prebuild sections of the pipeline.

In this time of growing uncertainty over energy supplies, the U.S. must tap its substantial Alaska gas reserves as soon as possible. The 26 trillion cubic feet of natural gas in Prudhoe Bay represent more than ten percent of the United States total proven reserves of natural gas. Our governments agreed in 1977 that the Alaska Natural Gas Transportation System was the most environmentally sound and mutually beneficial means for moving this resource to market. Access to gas from the Arctic regions of both countries is even more critical today as a means of reducing our dependence on imported petroleum.

Successful completion of this project will underscore once again the special character of cooperation on a broad range of issues that highlights the U.S./Canadian relationship.

I look forward to continuing to work with you to make this vital energy system a reality.

Sincerely,

J.C.

The Right Honorable
Pierre Trudeau
Prime Minister of Canada

PRESIDENTIAL STATEMENT

My Administration's energy policy has always recognized that the energy problem is not unique to our country. The energy burden of the 1980s is shared by all the industrialized nations and by the lesser developed nations as well.

Just as the energy burden is shared by all nations, so must the solution be borne by all in a cooperative spirit. Just last month in Venice, I met with the heads of six other leading nations of the industrialized world to establish specific goals and a series of comprehensive commitments to conservation and the development of new energy supplies. At the time we pledged increased international cooperation among ourselves and with other countries to help achieve these objectives.

When I met with Prime Minister Trudeau of Canada in Venice, we agreed that one of the potential cooperative projects -- one that could be most meaningful to both our countries -- was the Alaska Natural Gas Transportation System.

I am very pleased that today the Canadian Government has announced its willingness to move forward on this vast project by approving the construction of the first major segment of what is intended eventually to be a 4800 mile pipeline from Prudhoe Bay in Alaska through British Columbia and Alberta to the heartland of the United States.

This first segment, approved today by the Canadian Government, will enable U.S. consumers in 33 states to begin receiving additional natural gas from Canada by 1981 -- replacing 200,000 barrels a day

of crude oil -- even before the Alaskan and northern Canadian portions of the pipeline are completed. Eventually, too, Canadian natural gas from the north will be able to flow to consumers in Canada.

The entire project, which I approved in 1977, is intended to be completed in 1985 and will bring about 2.4 billion cubic feet of Alaskan natural gas to U.S. consumers each day, replacing more than 400,000 barrels of foreign oil. Prudhoe Bay natural gas represents 10 percent of our nation's energy reserves.

I have today sent a letter to Prime Minister Trudeau expressing our confidence that this project will be carried forward to completion and become an example to the world of how international cooperation can serve the common energy needs of both partners. Both Houses of Congress have recently passed resolutions of support for the Alaska pipeline, and I have been able to provide several specific assurances to Prime Minister Trudeau on our commitment as a nation to this joint project. The pipeline is one of the most complex and demanding energy ventures ever undertaken. When completed, it will be a major element in our transition to a more diversified and secure energy economy.

THE WHITE HOUSE

WASHINGTON

19 Jul 80

FOR THE RECORD

LLOYD CUTLER RECEIVED A COPY OF THE ATTACHED.

ID 4084
in trip file

7/10/80 (Tokyo)

done
J

Mr. President:

If you have time on this leg, I think it would be useful to sit down with Bob Ingersoll and Jim Beré to talk about picking the CEO of the Synthetic Fuels Corporation.

Bob was the Chairman of Borg-Warner until he became Ambassador to Japan, and Jim is his hand-picked successor. Jim himself would be an excellent prospect. He is 58 and a member of the Business Round Table, and Chairman of the US-Japan Business Council. He has an excellent engineering and marketing background and good political and deal-making sense.

Bob is a recognized national business leader who is now on about

10 boards including ARCO. He thinks you might tempt Bob Anderson.

Between them, they know all the candidates we are considering; including

Tom Murphy	GM
Bob Sharpie	Cabot
Lew Foy	Bethlehem
Henry Schacht	Cummins
John Sawhill	DoE

Bob has also supplied several potential new names, such as

Jim Beré	
Bob Anderson	ARCO
Ken Jamerson	ex-Exxon
Cy Ramo	ex-TRW

If I can be of help, I would be glad to join the meeting.

Floyd

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7/7/80

Mr. President --

I read your deletions to Stu (& separately to Jody), with the following reactions.

Stu said the reason for the section on page 1 you deleted had nothing to do with listing problems of the auto industry. Instead, it is to show the American people/taxpayers that you care about the flesh and blood aspect of the problem. (I ~~sort-of~~ agree with him.) In the event you choose to use this section, I have added as an "Insert to page 1". Leave out

However, Stu felt very strongly about the 2nd graph you deleted on page 4 dealing with Japan. He says this is a very important statement. It's something you did. It's something the Japanese announced Sunday night. And you should (and need) to take credit for it. (If you delete the first graph portion, you can still leave in the 2nd "statement" portion Stu's concerned about. In the event you agree upon reconsideration, I have left that graph in your statement and it appears on page 7; you can just mark through that entire card if you don't want to accept Stu's recommendation. Leave in

~~We have a copy of the statement as edited which we are taking to Detroit. However,~~ Since he had not heard anything by "mid evening", Stu went on and had the original unedited version typed and copied -- in the event you agreed to use it. ~~Whichever you choose will be released~~. We'll call Jody and/or Stu from AF1 and let them know ~~which one~~ whether to distribute.

(Stu was about as receptive to criticism as you (and I)(and Jody) (and____) are. He said it's hard to coordinate clearance on a statement over the July 4th weekend, because people are at the beach, in the mountains, etc. So he met with everyone this morning and they worked on this. They sent to Sit Room around 3:00. I received around 5:15 (they held while 2 other memos came in for you/me and then drove out to me). I just missed you as you were leaving for dinner -- so all the time elements for today just wouldn't work out.....unless they thought about drafting, etc., last Thursday.)

--SSC

Stu is also anxious to know what your decision will be re Trade in Light Trucks (Cab Chassis)...also attached.

THE WHITE HOUSE

WASHINGTON

July 7, 1980

MEMORANDUM FOR THE PRESIDENT

FROM: STU EIZENSTAT Stu E.

Attached is a Fact Sheet on the Automobile Policy that we will release tomorrow. This document provides all of the detail for the decisions reflected in your own statement. You do not need to read this Fact Sheet but I thought you should at least have it with you before tomorrow's meetings.

FOR RELEASE AFTER THE
PRESIDENT'S STATEMENT

JULY 8, 1980

Office of the White House Press Secretary

THE WHITE HOUSE

FACT SHEET

On May 14, 1980, President Carter met with the chief executives of the Nation's domestic automobile manufacturers and the leadership of the United Auto Workers to discuss the current problems of the automobile industry. At that meeting, the President announced that he would analyze Federal policies and programs that could improve the industry's current and future prospects. The President stated that he would carefully review the current condition of the industry and examine Federal credit, tax, regulatory, economic adjustment and trade policies. In return, the President asked the UAW and the auto companies to develop proposals by which they could improve the situation.

The proposals contained in this fact sheet can be accomplished with existing resources and without legislative changes. They represent the first steps in a long-term effort.

The President has asked business and labor to join with him to form a continuing Auto Industry Committee, to address the problems of the auto industry in the coming years. This working group will provide the mechanism through which further actions by business, labor and the Federal government can be taken. It will form the foundation for a continuing working relationship among business, labor and the Government to ensure the long-term vitality of the automobile industry.

THE CURRENT CONDITION OF THE AUTOMOBILE INDUSTRY

In the last 15 months, the automobile industry has been buffeted by two serious developments. First, after the dramatic rise in oil prices and the shortage of gasoline last year, new car buyers shifted markedly toward a preference for smaller, more fuel-efficient cars. Although the U.S. automobile industry was in the midst of a concerted effort to downsize and redesign its cars to achieve greater fuel economy, most of the capacity needed to produce the new models had not yet been completed.

Second, the onset of the recession this spring further reduced overall automobile sales, complicating the industry's employment and profitability problems. These two forces have produced the following conditions in the auto industry:

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Production and Sales In 1978, sales of domestically-produced automobiles peaked at 9.3 million units. By the final quarter of 1979, sales had fallen to a seasonally-adjusted annual rate of 7.5 million units, reflecting the plunge in demand for larger and less fuel-efficient cars. Spurred by rebates and a generally strong economy, sales reached a rate of 7.9 million units during the first quarter of 1980. Initial production plans for the second quarter were for a rate of 7.3 million units. However, as the economy weakened, these plans were continually revised downward, so that actual second quarter domestic production will be close to a rate of about 5.5 million units. Truck sales are off even more sharply than auto sales.

Employment By the third week in June, indefinite layoffs had grown to 239,000. Layoffs have been heavily concentrated in the industrial Midwest, with approximately 70 percent in Michigan, Ohio, Missouri, and Indiana. The layoff figures cited do not include the supplier industries, which are estimated to total approximately 450,000, or dealers that have closed or trimmed back employment. Thus, total auto-related layoffs may be between 700,000 and 800,000.

Foreign manufacturers--particularly the Japanese--were better prepared to compete in this changed energy environment, since almost their entire output consisted of small, fuel-efficient models. As a result, the import market share increased from 17.7 percent in 1978 to 26.4 percent during the first quarter of 1980, and to 28.4 percent in May.

There are several factors that should improve the outlook for the auto industry later this year. Inflation has eased. As a result interest rates have fallen sharply and the Federal Reserve Board has recently been able to remove credit controls. Also, this fall American manufacturers will introduce several new, fuel-efficient, technologically-advanced models, which will provide consumers with a wider choice of small cars.

By 1983, American manufacturers should be able to produce 7.6 million such cars--up from 1.4 million in 1980. Domestic producers will be concentrating on further improvements in quality and fuel efficiency, to strengthen their competitive position in the domestic and world auto markets. While the next two to three years will be a very difficult period of transition, the long-term prospects for the American auto industry are strong.

THE PRESIDENT'S PROGRAM

Since May, an inter-agency task force led by Secretary of Transportation Neil Goldschmidt has reviewed a range of measures to improve the current and future prospects for the auto industry. Based on their recommendations, the President is today taking action in six areas:

I. Regulations

Unnecessary regulatory costs are particularly burdensome during this difficult period of transition for the automobile industry and the economy. Regulations are important for energy conservation, to protect the environment, and the safety of workers and motorists, but they must be carefully evaluated to minimize their costs; otherwise they impose unnecessary expense on the industry and consumers.

At the President's direction, the regulatory agencies reviewed their current programs to see what actions might reduce industry costs while continuing progress on environmental and safety goals. The President announced five such actions today, but these are just the beginning. As future regulations are promulgated, the President has instructed regulators to continue to be sensitive to the financial and economic difficulties of the auto industry.

A. Reduced Stringency of the 1984 High Altitude Emission Standards

Starting in 1984, the Clean Air Act requires every new car sold in the United States to meet stringent emission standards, in order to protect air quality at high altitudes. The Environmental Protection Agency (EPA) has found a less costly way to achieve this. This administrative change, consistent with current law, would cost manufacturers approximately $500 million less than was originally thought necessary to comply with the law. EPA will seek legislative change in 1981 if needed to achieve these compliance cost reductions.

B. Alternative Durability Test Pilot Program

Under EPA's current durability testing program, manufacturers must build prototype vehicles to test emission control devices. EPA will implement a voluntary pilot program that will require fewer cars to be tested and in some cases allow use of production vehicles rather than costly prototypes. The change makes EPA's tests less costly and time consuming, provides manufacturers additional lead time for planning and production, and gives manufacturers greater assurance that they can produce various models in compliance with the standards.

C. OSHA Standard for Worker Exposure to Lead and Arsenic

In 1979, the Occupational Safety and Health Administration (OSHA) established more stringent standards for workers' exposure to toxic lead and arsenic. The standards would have required structural changes to remove the hazard, rather than having workers wear protective equipment. General Motors sought a longer period for compliance with the rules, because new manufacturing methods would reduce compliance costs by 1986. In response, OSHA has permitted GM and the United Auto Workers to develop a less costly way to comply with the rule while still protecting worker health. OSHA is considering similar proposals from Ford and Chrysler.

D. Expedited Consideration of CO Waiver Requests

Under current law, EPA may waive carbon monoxide (CO) emission standards for individual engine lines. EPA has agreed to expedite its consideration of these waivers, reducing its review time by an average of 30 days. EPA has already granted many waivers, mostly to domestic manufacturers. Because these waivers are applicable to model year 1981, manufacturers must receive decisions promptly on any pending requests, in order to save the costs of pursuing parallel product development for different compliance levels.

E. Safety and Fuel Economy Standards

In order to provide greater certainty to the industry and to minimize the near term capital costs of complying with its regulations, the Department of Transportation is taking a number of steps:

(1) The Department does not plan to issue any major safety rules during this calendar year.

(2) The light truck fuel economy standards for 1983-1985 are being reviewed again by all interested parties pursuant to comments from the President's Regulatory Analysis Review Group. In response to industry requests, the Department will attempt to complete this rulemaking by the end of summer, with full consideration of the economic practicability of the standards.

(3) The post-1985 fuel economy standards are being thoroughly considered as part of the Department's auto industry study and will not be pursued in rulemaking until that study is complete and submitted to the President. The Department will seek the industry's participation in the development of these significant standards, and this will be one focus of attention for the tripartite working group, described below.

II. Unemployment and Regional Impacts

The President has taken a number of steps to help those workers and communities that have been dislocated by this transition.

The Administration will address this problem in two ways:

A. Community Adjustment Assistance

Upon approval of the new authorization and requested appropriations by Congress, the Economic Development Administration (EDA) will devote $100 million of its FY 1981 budget to communities severely harmed by industrial dislocations. At least $50 million of this will be available to communities and firms severely affected by the transition in the auto industry.

In addition, the Department of Housing and Urban Development and the Farmer's Home Administration will give high priority to projects in these communities as well.

Participating Federal agencies will form an operational program coordination committee. In each community where aid from several Federal agencies is provided, one agency will be appointed as the lead Federal agency. This agency will be responsible for coordinating Federal aid, cutting through red-tape and ensuring that the affected communities receive expeditious and consistent service. Assistance will include:

- Adjustment planning grants to support the development of community economic development adjustment strategies.
- Grants to local governments to support the re-use of existing facilities and to fund additional infrastructure needed to attract new private investment.
- Loans and loan guarantees to aid in saving and creating jobs in supplier firms and other businesses that are important for local economic diversification.
- Technical assistance to inventory and market available production facilities or resources.

The combination of these tools in well-conceived community adjustment strategies will soften the impact of economic dislocations and support effective stabilization and diversification of the local economies.

B. Adjustment Programs for Workers

The Administration has already proposed broadening its Trade Adjustment Assistance program to supplier industries, to make sure that all workers receive its protection, not just employees of the major manufacturers.

In addition Department of Labor will develop experimental assistance programs to improve further the effectiveness

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of the government's efforts to help dislocated workers. Several of these pilot projects will be launched in communities that have been hurt by auto-related layoffs.

III. Credit and Dealer Assistance

Since the President announced his intensified anti-inflation program on March 14, interest rates have fallen by nearly half. Last week, the Federal Reserve Board was able to lift its program of credit controls. The prime rate now stands at 11-1/2 percent and commercial paper rates at 8 percent, compared to the 20% prime rate of three months ago. Thus, one of the major factors in the deterioration of car sales this spring has already been alleviated substantially.

Nevertheless, there are still many dealers who cannot acquire needed credit to carry them through this difficult transition period. Because the health of the automobile industry depends on maintaining a viable dealer network through which to sell cars, the Administration has developed two programs to provide additional assistance:

A. SBA Loan Guarantee Program for Auto Dealers

The Small Business Administration (SBA) will undertake a special effort to guarantee working capital loans to auto dealers. This program will be in effect through the introduction of the 1981 model cars. Under this program, SBA may guarantee up to 90% of bank loans to auto dealers, including loans that will allow the dealers to finance their wholesale inventory.

In order to adapt the program to dealer needs, SBA will adjust its eligibility standards and procedures. The additional administrative costs associated with the program will be covered under current appropriations. SBA estimates that demand from dealers for the program may total $200-400 million.

B. SBA Loan Program for Minority-Owned Auto Dealers

Minority-owned auto dealerships will require special attention in the current period of transition. Minority dealers tend to be relatively new businesses that are less likely to have strong financial reserves. They also are often located in large metropolitan areas, whose markets are likely to be affected earlier and more severely by recessions than the rest of the country. For these dealers, it is important not only that credit be available, but that it be available at a low interest rate.

To respond to this need, the Small Business Administration will create a new direct loan program for minority dealers facing financial difficulty under authority of section 7(a) of the Small Business Act. The program will be financed by using up to $12 million of existing authority, made available in part through the withdrawal of a pending request for a budget recission. By using a direct loan program instead of loan guarantees, the minority dealers will be able to obtain financing at an 8-1/4 percent rate, which is considerably lower than most dealer financing rates.

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IV. Tax Policy

In light of the auto industry's immediate cash flow problems and its huge capital needs to retool to produce smaller cars, the tax burden on the auto industry is important. Currently, for example, the rapid conversion to four cylinder engines and front-wheel-drive transmissions is reducing the useful life of equipment that produces eight cylinder engines and rear-wheel drive transmissions. The tax treatment of the industry should reflect such changes in economic circumstances.

A. Treasury Study of Depreciation Schedules.

To respond to these changing conditions, the Department of the Treasury will accelerate its current study of motor vehicle industry tax depreciation guidelines so that it can be completed before the end of this year. This study, already underway, should allow for depreciation schedules that are consistent with the useful life of the plant and equipment.

B. Tax Treatment of Special Tools.

The Treasury Department will examine the possibility under present law of revising the tax treatment of certain special tools that are used by the industry for only one model year, but which currently must usually be accounted for over two calendar years. This change would provide a substantial one-time benefit to the auto manufacturers.

C. Tax Treatment in Future Tax Programs.

In developing general tax measures for enactment when economic conditions warrant, the Administration will give careful consideration to the capital formation problems of the automobile and other industries that constitute America's industrial base. Automotive investment will be significantly encouraged by the measures that provide industry with greater incentives and improved cash flow.

V. Creation of an Automobile Industry Committee

Consistent with the President's strong commitment to work with business and labor in the coming years to revitalize the domestic auto industry, he will establish a permanent Auto Industry Committee, to deal with the problems of the industry on a continuing basis. The Committee will provide a mechanism for dialogue on key issues among business, labor and government.

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Experience shows that industry working groups are most likely to be successful if they begin with a well-specified and limited mandate. The President, therefore, is organizing a task force with representatives of business, labor and government, to present to him as soon as possible a plan on how such an auto industry committee should function and be structured. These recommendations should include an agenda of items for discussion and for membership on the committee. Business representatives of the task force will include the chief executive officers of the U.S. auto companies and a representative of the auto parts suppliers. The labor representatives will come from the United Auto Workers, as well as other unions. Government representatives will include Federal, State and local officials.

VI. Import Competition

Over the past several years, imports have been taking an increasing share of the American automobile market. From 17.7% of the domestic auto market in 1978, imports rose to 21.9 percent in 1979 and 28.4 percent in May of this year. Four-fifths of these imports originate in Japan.

In large part this increase in imports reflects the historically stronger position of foreign manufacturers in the small car market, coupled with the shift in consumer preferences toward these smaller cars. In recent months, American manufacturers have not had the capacity to meet the increased demand for small cars; now, they have excess capacity. As American manufacturers produce larger volumes of small, fuel-efficient cars this fall and in the years ahead, we expect them to increase their share of the domestic small car market. Since a substantial fraction of car buyers remain loyal to their current make when they purchase a new car, the increase in import penetration could affect long-term buyer preferences.

There have been reports as well that Japanese manufacturers intend to expand their domestic production facilities by up to two million units in the next two to three years. Since virtually all other countries have substantial barriers to Japanese auto imports, much of this additional production would likely to be exported to the United States.

While at the Summit in Venice the President expressed his concern with these reports, and asked the Japanese government to determine whether Japanese manufacturers are in fact planning major expansion. The President indicated that an expansion of capacity in Japan, targeted for sale in U.S. markets, would not be acceptable to the U.S.

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Just yesterday, we were informed by the Japanese Ministry of International Trade and Industry that no such major capacity expansions would be made.

The President has also taken the following actions:

A. Accelerate the United States International Trade Commission's Investigation of the Auto Industry:

The President has asked the United States International Trade Commission (USITC) to accelerate its investigation of the auto industry under Section 201 of the Trade Act. The investigation has been undertaken to determine whether the U.S. automobile industry has been injured by foreign imports and, if injury is found, to recommend appropriate remedies. The investigation was begun in response to a petition filed by the United Auto Workers with the USITC alleging that the domestic automobile industry has been damaged by import competition and asking the Commission to recommend relief.

Under the law the USITC has up to six months to make a determination and recommendation. The President then has up to 60 days to act on the USITC recommendations.

The President has asked that this proceeding be accelerated.

The President wants to assure all parties--the auto industry, its workers, consumers, dealers and foreign auto companies--a prompt, expeditious and unbiased review of the impact of imports on the domestic auto industry. He feels that the USITC is the appropriate forum for making this review; and this formal investigation must be completed before any decisions on import relief can be made.

The President will decide what actions to take once he has received the USITC report.

B. Foreign Investment in U.S. and Increased Imports to Japan:

During the past six months, the President has pressed the Japanese government to remove barriers that hinder the importation of American cars and auto parts to Japan, and to encourage the Japanese auto companies to invest in the U.S. Progress has been made:

- The Japanese government has agreed to eliminate most auto parts tariffs in 1981, to simplify auto standards and licensing procedures, and to send missions to the U.S. to promote imports by Japan of auto parts made in the U.S. and investment in U.S. auto parts production.

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- Two Japanese auto companies--Honda and Nissan--have announced new investments in the United States; and Toyota has agreed to invest in the U.S. if a feasibility study currently underway concludes that such an investment would be economically viable.

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THE WHITE HOUSE

WASHINGTON

July 7, 1980

MEMORANDUM FOR THE PRESIDENT

FROM: STU EIZENSTAT Stu
RALPH SCHLOSSTEIN

SUBJECT: Meeting with the Auto Industry and Leadership of the United Auto Workers
July 8, 1980
7:15 a.m.
Terminal of Detroit, Mich. Airport
Press Plan: Photo opportunity at beginning of meeting; Presidential statement after the meeting; Secretary Goldschmidt, Secretary Miller and Stu Eizenstat to answer questions after Presidential statement

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Purpose:

The meeting is designed to follow-up on your meeting with the auto industry and labor eight weeks ago. It will provide you with an opportunity to describe the actions that you will take to help the industry solve its current and future problems. It also will give business and labor an opportunity to outline the commitments that they will make to help solve their own problems.

Participants:

Vice-President Mondale
Chairman Thomas A. Murphy (GM)
President Elliott M. Estes (GM)
Chairman Philip Caldwell (Ford Motor Co.)
President Donald Peterson (Ford Motor Co.)
Chairman Gerald C. Meyers (American Motors)
President W. Paul Tippett (American Motors)
Chairman Lee A. Iacocca (Chrysler)
President J. Paul Bergmoser (Chrysler)
President James W. McLernon (Volkswagen of America)
President Douglas A. Fraser (UAW)
Vice President Don Ephlin (UAW)
Vice President Owen Bieber (UAW)

Vice President Mark Stepp (UAW)
Vice President Ray Majerus (UAW)
Secretary of the Treasury G. William Miller
Secretary of Transportation Neil Goldschmidt
Stuart Eizenstat
Ambassador Reuben Askew
Administrator Douglas Costle (EPA)

Background:

On May 14, 1980, you met with the auto industry leaders and the leadership of the United Auto Workers. At that meeting you pledged that your advisors would undertake a thorough review of the current and future problems of the auto industry. You also asked your advisors to develop a list of recommended actions that could be taken by the Administration to help the industry. Finally, you asked the business and labor leaders to develop actions that they could take to improve the current and future prospects for the auto industry.

You will open the meeting with a statement that: 1) expresses your concern about the current condition of the auto industry; 2) outlines the actions you intend to take immediately to improve the prospects for the industry; 3) emphasizes your commitment to a continuing effort to address the concerns of this critical industry; and 4) requests that the industry and labor leaders participate in an Auto Industry Committee -- composed of business, labor and government representatives. After the meeting you will meet very briefly with the Michigan Congressional delegation (with whom the Vice President, Secretary Goldschmidt and I will already have met) and then make a brief statement to the press. (A draft of the statement was sent to you separately.) Secretary Goldschmidt, Secretary Miller and I will remain to answer questions.

The Vice-President will meet with the leadership of the UAW, Ford and GM tonight. Neil Goldschmidt, Bill Miller and I will meet with Chrysler, AMC and VW. We will press them for specific commitments and for statements of support for your effort. The Vice-President will report to you on the results of these meetings when you arrive. He will also advise you as to the order in which you should call on the participants. The talking points on labor and industry contributions are contingent on the results of these meetings.

Talking Points:

- I come to Detroit at a time when the automobile industry and your city face a very difficult period of transition.

- The recession and the rapid shift by consumers to smaller, fuel-efficient cars have dramatically reduced domestic auto sales and employment.

- Yet the financial needs of the auto industry to weather these difficulties and to retool for the future have never been greater.

- I come to Detroit filled with a deep personal concern about the problems that have been created by this difficult period of transition.

- I am deeply disturbed that the tragedy of 25 percent auto unemployment has brought hardship and despair to the lives of so many American families.

- I am troubled that the decline in profitability of the industry may make it more difficult for you to retool for the future.

- And I am concerned that insufficient capacity to produce small fuel-efficient cars domestically has contributed to increased purchases of foreign imports.

- But I also come to Detroit filled with hope and confidence about the future: for the auto industry is and will remain the backbone of America's industrial base.

- Eight weeks ago we met in the White House to discuss the current and future problems of the auto industry.

- We agreed that an unprecedented cooperative effort involving government, business and labor -- would be needed to help the auto industry weather the difficult transition period of the next three years.

- Over the past eight weeks, my advisers have worked day and night to develop proposals that address many of the concerns you raised. The following results from this effort:

  - We will propose significant changes in prospective regulations that will increase the industry's cash flow by more than $500 million in the next three years. This cash flow will help the industry assemble the capital needed to retool for the future. In addition, the Department of Transportation will make certain that regulations to be issued in the coming years will reflect a sensitivity to the industry's cash flow problems.

- We will provide substantial new economic aid to the cities and towns affected by plant closings and extended shutdowns. More than $50 million of additional aid will be set aside to help the affected cities and towns attract new industry and jobs.

- We will make more than $200 million of additional loan guarantees available to struggling auto dealers. These funds will allow them to obtain much needed working capital in this difficult transition period.

- I am instructing the Treasury Department to accelerate its review of the depreciable lives of auto manufacturing equipment and tools, so that current practices reflect the true economic obsolescence of these items. I am also asking the Treasury Department to examine the possibility under present law of revising the tax treatment of certain special tools used by the industry. And, in developing general tax measures for enactment when economic conditions warrant, I will give careful consideration to the capital formation problems of the automobile and other industries that constitute America's industrial base. These changes, when they are implemented, will help the industry obtain the cash flow needed to retool its plants.

- Finally, I have asked all of you to join me in forming an Auto Industry Committee, so that we can address the problems of the industry on a continuing and cooperative basis in the future. I believe that such a cooperative effort, similar to that pursued by Japan, is needed so that the American auto industry can strengthen its competitiveness in the world and domestic markets.

- I also want to ensure that the American commitment to free trade is accompanied by a firm commitment to fair trade from our trading partners.

- Japan is a valued ally. It has stood by us in our efforts to free the American hostages in Iran and to induce the Soviet Union to remove its troops from Afghanistan.

- But our relationship with Japan must continue to be strengthened on the basis of fair and reciprocal trade benefits.

- Therefore, I have asked the Japanese to open their markets to American cars and parts, and to expand significantly their investment to produce cars and parts in the U.S. Japan has made important commitments in response to these requests, which will benefit American labor and industry.

- /In addition, I have asked the United States International Trade Commission (ITC), to accelerate its investigation of the auto industry and to report their findings to me as soon as possible. The ITC's investigation is too important to be considered in a business-as-usual fashion./

- Finally, in response to my request at the recent Venice Summit, the Japanese announced yesterday that they do not plan any significant expansion of their auto manufacturing capacity over the next few years.

- But the real significance of what we have done does not lie in these actions. They are the beginning, not the end of the process.

- The real significance lies in the commitment that all of us have made to work together to solve the auto industry's problems -- business, labor and government working shoulder to shoulder to build a better future for America's auto industry.

- I want to ask you to join me in establishing an Auto Industry Committee -- a cooperative partnership through which we can advance both the interests of our Nation, and the interests of business, labor and the consumer.

- For my part, I pledge the continued cooperation of my Administration to achieve these goals. And I pledge my continued personal involvement in helping to solve the problems of this critical industry.

- But these goals cannot be achieved by Government alone.

- They will require commitments from you as well. From industry, we will need substantial investments in the United States to manufacture small, fuel-efficient and safe cars, and to employ American workers.

- From industry, we will also need a renewed commitment to continued progress on fuel-economy and other issues that are essential to the achievement of our energy and economic objectives.

- From labor and management, we will need joint efforts to restrain prices and make the costs of production in America more competitive with costs overseas.

- And we will need extra efforts to maximize productivity, and to ensure the production of high quality products.

- We have a big job to do. But I am confident that, if we work together, we can meet the challenge.

Received
5:15 p.m.
7/7/80

THE WHITE HOUSE

WASHINGTON

July 7, 1980

MEMORANDUM FOR THE PRESIDENT

FROM: STU EIZENSTAT Stu

Attached is a draft statement for your delivery at the conclusion of your meeting with the auto industry and labor leaders tomorrow in Detroit. I have cleared this statement, after a lengthy meeting this morning, with Henry Owen, Charlie Schultze, Bob Hormats (STR), Randy Kau (for Bill Miller), OMB Neil Goldschmidt, Lloyd Cutler and Jody Powell.

We will have a more lengthy fact sheet, which has also been reviewed by the same group, and talking points for your meeting later today.

I would appreciate having any changes in the statement phoned back by someone in your office down there so that we can have it printed for release tomorrow morning.

The Vice President, Secretary Goldschmidt, Secretary Miller, Doug Costle and I will be going up tonight to meet with the industry and labor leaders.

Also attached is a memorandum from Henry Owen, describing the Japanese government's response to the concern you expressed about future expansion of Japanese auto productive capacity. The Japanese government's statement also is attached.

PRESIDENTIAL STATEMENT

I come to Detroit at a time when the automobile industry and your city face a very difficult period of transition. The recession and the rapid shift by consumers to smaller, fuel-efficient cars have dramatically reduced domestic auto sales and employment. The financial needs of the auto industry to weather these difficulties and to retool for the future have never been greater.

I come to Detroit filled with a deep personal concern about the problems that have been created by this difficult period of transition. [I am deeply disturbed that the tragedy of 25 percent auto unemployment has brought hardship and despair to the lives of so many American families. I am concerned that the loss of jobs, income and tax revenues have driven the State of Michigan, the City of Detroit and other communities and states into financial hardship; that the decline in profitability of the industry may make it more difficult for you to retool for the future; and that the health of thousands of small businesses may be jeopardized by the severe recession in your industry. And I am concerned that insufficient capacity to produce small fuel-efficient cars domestically has contributed to increased purchases of foreign imports.]

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But I also come to Detroit filled with hope and confidence about the future: for the auto industry is and will remain the backbone of America's industrial base. More than one out of

every six manufacturing jobs in our economy is tied directly or indirectly to car production. From its beginning, the auto industry has been a leader in technological achievement and productivity and, through our joint efforts, it will continue to do so.

Eight weeks ago, I met in the White House with the business and labor leaders of the auto industry. We talked at length about what could be done to ease the pain of the auto industry's current problems, and to build a better future for the remainder of this decade. We all agreed that our domestic industry should be able to complete the difficult transition to the production of small, fuel-efficient cars within three years. But we also agreed that an unprecedented cooperative effort was needed to help the industry through this difficult period.

Over the past eight weeks, my Administration has worked day and night to address many of the concerns that business and labor raised. As a result of this effort:

- We will propose significant changes in prospective regulations that will increase the industry's cash flow by more than $500 million in the next three years. This cash flow will help the industry assemble the capital needed to retool for the future. In addition, the Department of Transportation will make certain that regulations to be issued in the coming years will reflect a sensitivity to the industry's cash flow problems.

- We will provide substantial new economic aid to the cities and towns affected by plant closings and extended shutdowns. More than $50 million of additional aid will be set aside to help the affected cities and towns attract new industry and jobs.
- We will make more than $200 million of additional loan guarantees available to struggling auto dealers. These funds will allow them to obtain much needed working capital in this difficult transition period.
- I am instructing the Treasury Department to accelerate its review of the depreciable lives of auto manufacturing equipment and tools, so that current practices reflect the true economic obsolescence of these items. I am also asking the Treasury Department to examine the possibility under present law of revising the tax treatment of certain special tools used by the industry. And, in developing general tax measures for enactment when economic conditions warrant, I will give careful consideration to the capital formation problems of the automobile and other industries that constitute America's industrial base. These changes, when they are implemented, will help the industry obtain the cash flow needed to retool its plants.
- Finally, business, labor and government will join together to form an Auto Industry Committee, so that we can address the problems of the industry on a cooperative basis in the future. I believe that such a cooperative effort, similar to that pursued by Japan, is needed so that the American auto industry can

strengthen its competitiveness in the world and domestic markets.

I also want to ensure that the American commitment to free trade is accompanied by a firm commitment to fair trade from our trading partners. Japan is a valued ally. It has stood by us in our efforts to free the American hostages in Iran and to induce the Soviet Union to remove its troops from Afghanistan. We are grateful for Japan's support on these difficult issues. I will be going to Japan today for the memorial service for Prime Minister Ohira, the architect of these policies, and to express to the great people of Japan my sorrow at his death and my gratitude for their own steadfastness.

Our relationship with Japan must continue to be strengthened on the basis of fair and reciprocal trade benefits. Therefore, I have asked the Japanese to open their markets to American cars and parts, and to expand significantly their investment to produce cars and parts in the US. Japan has made important commitments in response to these requests, which will benefit American labor and industry. I particularly look forward to significant results from Japanese missions on parts purchases and investment, which will visit the United States this summer.

~~In addition,~~ The United Auto Workers has filed a petition with the United States International Trade Commission, (ITC), contending that the auto industry has been injured by imports, and asking the ITC to recommend appropriate relief. To ensure that the ITC's investigation is completed promptly, I have asked the ITC Commissioners to accelerate their investigation and to report their findings to me as soon as possible.

Finally, in response to my request at the recent Venice Summit, the Japanese announced yesterday that they do not plan any significant expansion of their auto manufacturing capacity over the next few years.

The actions I have announced today will help to ease the current pain of recession and will help build a more favorable investment climate for the auto industry in the future. But the real significance of what we have done does not lie in these actions. They are the beginning, not the end of the process. The real significance lies in the commitment that all of us have made to work together to solve the auto industry's problems -- business, labor and government working shoulder to shoulder to build a better future for America's auto industry.

I have asked business and labor to join me in establishing an Auto Industry Committee -- a cooperative partnership through which we can advance both the interests of our Nation, and the interests of business, labor and the consumer. It is my belief that our meetings over the past two months will be the beginning of a new era -- an era marked by cooperation, by growth in production and employment, and by the reassertion of the preeminence of the American automobile industry through the sale of smaller, fuel-efficient and safe cars built in America.

For my part, I pledge the continued cooperation of my Administration to achieve these goals. And I pledge my continued personal involvement in helping to solve the problems of this

critical industry. But these goals cannot be achieved by Government alone. They will require substantial investments by industry in the United States to produce smaller, more fuel-efficient and safer cars, to employ American workers to manufacture these cars and to produce cars at prices that the American consumer can afford. And they will require joint efforts by labor and management to maximize productivity, to ensure the production of high quality products and to make the costs of production in America more competitive with costs overseas. In my meeting this morning, the industry and labor leaders have assured me of their commitment to these goals.

America's automobile industry has always had the ability to rise to a challenge. America's workers have always had the ability to produce more efficiently than their competitors. Today, we face a challenge in the automobile industry: a challenge to produce high-quality, fuel-efficient cars, and to produce them quickly. I am confident that all of us, working together, can meet that challenge.

That is why I come to Detroit, filled not only with concern about today's problems, but filled with hope and confidence about the future. Thank you.

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

4070

INFORMATION

July 7, 1980

MEMORANDUM FOR: THE PRESIDENT

FROM: HENRY OWEN

SUBJECT: Automobiles and Japan

The Japanese Government made public today in Tokyo a statement (Tab A), answering the question that you put to Okita at Venice: Do plans exist to expand Japan's capacity for producing cars that could be sold in the United States? The initial draft Japanese statement was unsatisfactory; the present draft was worked out by the Japanese in consultation with Bob Hormats (STR) and myself. They were anxious to issue it before you arrived in Tokyo, to avoid the impression that it had been issued as a result of US pressure.

A reference to this statement, and to the fact that it resulted from your intervention at Venice, was put into the statement that you will issue in Detroit.

The main points in the Japanese statement are:

1. There will be no significant expansion in Japanese auto capacity over the next few years.

2. In the Japanese fiscal year 1980 (April 1, 1980 - March 31, 1981) total new investment will be about $3 billion. About three-quarters of this will go to retooling and other qualitative changes; much of the remaining one-quarter will go to expanding capacity for producing equipment for US car manufacturers. (FYI: If you are asked, the remainder of this one-quarter of the $3 billion will go to investment made necessary by structural changes in the Japanese market.)

Your Detroit statement also mentions that the Japanese will now send two missions to the US: one to buy US spare parts for Japanese automobile production, and one to invest in spare parts production in the US.

While in Tokyo, you might thank the Japanese for making the statement about investment capacity, in answer to your Venice question.

If the opportunity occurs in Tokyo, you might stress the importance of the current negotiations for co-production between Chrysler and Mitsubishi. This could provide badly needed cash flow and business for Chrysler, affecting a large number of US jobs.

JAPANESE ANNOUNCEMENT ON AUTOMOBILE CAPACITY

The Ministry of International Trade and Industry (MITI) has been informed by the Japanese auto industry that the industry plans no significant capacity expansion over the next few years. Approximately $3 billion in new investment will be made during the Japanese fiscal year 1980 (April 1, 1980 - March 31, 1981), but three-quarters of this will be spent on such things as retooling of existing plants to incorporate model and engineering changes, such as front-wheel drive, and installation of labor-saving machinery; i.e., robots. The remaining quarter will be spent in capacity expansion which includes facilities for production of engines, transaxles, etc., for export, under contract, to the US Big Three manufacturers.

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FROM: Al McDonald

TO: Susan Clough for the President

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THE WHITE HOUSE

WASHINGTON

July 14, 1980

MEMORANDUM FOR THE PRESIDENT

FROM : AL MCDONALD

Richard Queen has had a slight relapse in Wiesbaden, suffering apparently from nausea and exhaustion. The medical team has decided that they do not want to move him as planned this Wednesday and are now tentatively thinking that he will be returned to the United States on next Wednesday, July 23.

Their diagnosis appears well advanced and they are considering an early medical bulletin, perhaps later today, confirming that he has multiple sclerosis. The reactions at State are that this is very sad since apparently he is "really a decent young man."

cc: Jack Watson

Out Box 3/10/80

Susan
I

THE WHITE HOUSE

WASHINGTON

July 9, 1980

MEMORANDUM FOR THE PRESIDENT

FROM: STU EIZENSTAT Stu

Attached is a draft letter from you to ITC Chairman Alberger formally requesting that he expedite the investigation on automobile imports. The text of this letter has been cleared with STR and DOT.

We would like to have your approval of the text as soon as possible, for once the letter is sent to Alberger he will convene the ITC. He would like to do that on Friday, and would therefore like to receive this letter tomorrow.

Bob Hormats of STR has recently talked with Alberger about the expedited investigation, and Alberger's best judgment now is that with an expedited procedure the Commission will make its findings in late-September with recommendations of relief, if any, in mid-October. This would be about two months ahead of the ITC's current schedule for acting on this investigation. To make certain that this expedited schedule is adopted, Alberger wants to convene the other Commissioners this week, when the impact of your announcement is still fresh.

If Susan can let me know of your approval, or your changes, I will then make the necessary preparations to get the letter delivered tomorrow.

I called Stu - letter ok

DRAFT:7/9/80

To Chairman Alberger

You are now beginning an investigation under Section 201 of the Trade Act of 1974 to determine whether domestic producers of passenger cars, light trucks, vans, and general utility vehicles are being seriously injured, or threatened with serious injury, substantially caused by increased imports.

Given the widespread attention in this country to recent developments in the automotive sector, this investigation (TA-201-44) has become a matter of great national and international importance. I urge you to conduct your work as expeditiously as is practicable (pursuant to Section 201 (d)(2)), so that all of those involved will not be burdened for a period of 6 to 8 months with the uncertainty such a case creates. This case touches so many businesses, workers, and consumers in this country that an investigation of normal length could cause major uncertainties which could significantly affect automobile trade and production. At the same time, of course, it is critical that all parties have a full opportunity to be heard and to submit information and arguments that must be considered in your deliberations.

The Commission faces a challenging task and carries a great responsibility in this investigation. I recognize that your current workload is substantial, but I would deeply appreciate your efforts to accelerate your schedule on this important case.

My Administration stands ready to assist the Commission in whatever manner you feel would be appropriate.

ok
Jimmy Carter

The Honorable Bill Alberger
Chairman
U.S. International Trade Commission
Suite 274
701 E Street, N.W.
Washington, D.C. 20436