

7/23/80

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Wednesday - July 23, 1980

8:00 Dr. Zbigniew Brzezinski - The Oval Office.

8:45 Meeting with Senator Herman Talmadge and
(15 min.) Congressman Tom Foley. (Mr. Frank Moore).
The Oval Office.

9:45 Signing Ceremony for Idaho Wilderness
(10 min.) Legislation. (Mr. Frank Moore) - The Rose Garden.

10:00 Mr. Jack Watson and Mr. Frank Moore.
The Oval Office.

1:00 Meeting with Admiral Stansfield Turner,
(30 min.) Dr. Zbigniew Brzezinski, and Mr. Jack Watson.
The Oval Office.

2:00 Meeting with Dr. Arthur Burns. (Mr. Stuart
(15 min.) Eizenstat) - The Oval Office.

6:30 Dinner with Mr. and Mrs. Lane Kirkland - Residence.

THE WHITE HOUSE
WASHINGTON

July 23, 1980

Governor King --

President Carter asked
me to send the enclosed
to you -- with his best
regards!

-- Susan Clough



Dqj

WHITE HOUSE CORRESPONDENCE TRACKING WORKSHEET

ID # 075310

O - OUTGOING

H - INTERNAL

I - INCOMING

Date Correspondence Received (YY/MM/DD) 80107121

Name of Correspondent: Bruce King

MI Mail Report

User Codes: (A) _____ (B) _____ (C) _____

Subject: Personal Friend

ROUTE TO:

ACTION

DISPOSITION

Office/Agency (Staff Name)	Action Code	Tracking Date YY/MM/DD	Type of Response	Code	Completion Date YY/MM/DD
<u>PR C104</u>	ORIGINATOR	<u>80107122</u>	<u>PY</u>	<u>CPS A</u>	<u>80107123</u>
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	Referral Note:				<u>1 1</u>
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ACTION CODES:

- A - Appropriate Action
- C - Comments
- D - Draft Response
- F - Fact Sheet
- I - Info Copy
- R - Direct Reply w/Copy
- S - For Signature
- X - Interim Reply

DISPOSITION CODES:

- A - Answered
- B - Non-Special Referral
- C - Completed
- S - Suspended

FOR OUTGOING CORRESPONDENCE:

- Type of Response = Initials of Signer
- Code = "A"
- Completion Date = Date of Outgoing

Comments: Presidential President for signing the bill
to create the Synthetic Fuels Corp. The incumbent
President to sign the Synthetic Fuels Corp. bill
when possible the should be referred to the Sec of
 Keep this worksheet attached to the original incoming letter.

Send all routing updates to Central Reference (Room 75, OEOB).
 Always return completed correspondence record to Central Files.
 Refer questions about the correspondence tracking system to Stephen Slade, ext. 2941.

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No. of Additional Correspondents: _____ Media: L Individual Codes: 2100 _____

Prime Subject Code: FG 999 Secondary Subject Codes: KT PR 005-02
AG
ST 031

PRESIDENTIAL REPLY

<u>Code</u>	<u>Date</u>	<u>Comment</u>	<u>Form</u>
C	_____	Time: _____	P- _____
DSP	_____	Time: _____	Media: _____

SIGNATURE CODES:

CPn - Presidential Correspondence
n - 1 - James Earl Carter
n - 2 - Jimmy Carter
n - 3 - Jimmy
n - 4 - JC
n - 5 - J

CLn - First Lady's Correspondence
n - 1 - Rosalynn Carter
n - 2 - Rosalynn
n - 3 - R

CBn - Presidential & First Lady's Correspondence
n - 1 - Jimmy Carter - Rosalynn Carter
n - 2 - Jimmy - Rosalynn

MEDIA CODES:

B - Box/package
C - Copy
D - Official document
G - Message
H - Handcarried
L - Letter
M - Mailgram
O - Memo
P - Photo
R - Report
S - Sealed
T - Telegram
V - Telephone
X - Miscellaneous
Y - Study

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S.C.



STATE OF NEW MEXICO
OFFICE OF THE GOVERNOR
SANTA FE
87503

Cont. of files
7/23/80

cc Bruce

Thank you!

It was good to

see you in

Texas

J

BRUCE KING
GOVERNOR

July 10, 1980

075318

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

Electrostatic Copy Made
for Preservation Purposes

Dear Mr. President:

May I be one of many to congratulate you upon your signing the bill to create the Synthetic Fuels Corporation? It is, in my view, a very real and positive step towards solution of this country's energy problems.

The purpose of this letter is to not only congratulate and commend you for your efforts, but to encourage you to keep the agribusiness sector in mind as you consider people for appointment to the Synthetic Fuels Corporation Board of Directors. In addition to agriculture being a substantial user of energy, it also has great potential for real contribution to energy production in the areas of synthetic fuels.

I will not presume to nominate anyone at this time, but will be pleased to do so if you wish.

Again, our hearty congratulations and best wishes to you and yours.

Sincerely,

Bruce King

BRUCE KING
Governor

cc: Honorable Bob Bergland, Secretary, United States Department of Agriculture

THE WHITE HOUSE
WASHINGTON

23 Jul 80

FOR THE RECORD

FRANK MOORE RECEIVED A COPY OF
THE ATTACHED.

R.V.

NAME Rep. Robert Duncan

1469

TITLE Representative

Requested by Frank Moore
Bill Cable *Bill*

CITY/STATE Portland, Oregon

Date of Request 5/22/80

Phone Number--Home (503) 547-3484 through 5/25
(Town- Yochats)

Work (202) 225-4811

Other () _____

INFORMATION (Continued on back if necessary)

Mr. Duncan was defeated in his primary race last Tuesday.
A phone call from you now would be a thoughtful gesture.

Last year, Mr. Duncan (Chairman of the House Appropriations
Subcommittee on Transportation) was helpful to most of our efforts
to control spending in this area. Overall, he has generally supported
our positions.

(continued on back)

NOTES: (Date of Call _____)

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*Talked to him briefly
in person*

Conversations that my staff has had with Department of Transportation officials since his defeat reveal a real fear that we may lose his cooperation within his Appropriations Subcommittee.

In your conversation with Mr. Duncan you might mention your appreciation for his past support (his efforts last year on Amtrack, were very helpful).

Additionally, should the conversation permit, you might suggest that you would look forward to meeting with him sometime soon to discuss his plans and how we might assist him.

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NAME PETER W. RODINO, JR.

1554

Chairman,
TITLE Congressman/ House Judiciary Committee

Requested by Frank Moore *FM*
Jim Copeland *JM*

CITY/STATE Newark, New Jersey

Date of Request _____

Phone Number--Home () _____

Work () 225-3436

Other () _____

INFORMATION (Continued on back if necessary)

Rodino worked hard on the Fair Housing bill especially with Members of the New Jersey delegation and the full Committee Chairs who were undecided.

TALKING POINTS

- I was extremely happy to hear of your victory last Tuesday. The House needs your continued leadership.

----- (over)

NOTES: (Date of Call _____)

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*not made -
saw personally*

2. Thank you for helping on Fair Housing. You and Don did a superb job of managing the bill.
3. One more matter -- thank you for holding up markup on the Regulatory Reform bill. This has helped convince the Republicans and business community that we're serious about the threats posed by the Bumpers amendment and the legislative veto provision.

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NAME MAX BAUCUS

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TITLE Senator

Frank Moore/

CITY/STATE Missoula, Montana

Requested by Jim Copeland

Phone Number--Home () _____

Date of Request 7/22/80

Work () 224-2651

Fair Housing Markup-10:00 a.m. today

Other () 224-5225 (Judiciary Cmte)

INFORMATION (Continued on back if necessary)

Until late yesterday it appeared that the Bayh-Heflin enforcement procedure would receive support from 9 of the 17 Members on the Judiciary Committee. Max Baucus is now wavering.

TALKING POINTS

- o I understand that you have had some problems with the Fair Housing Bill. We need your vote today. (over)

NOTES: (Date of Call 7-23)

*Will help on Heflin amend.
(Postponed for a week)*

- o I hope you will support the Bayh-Heflin enforcement procedure. As you know under their approach, complaints would go first to an Administrative Law Judge who will be totally independent of the Department of Housing and Urban Development. This approach is far superior to Deconcini's which really provides no improvement to the present system because it requires the consent of all parties before any resolution of alleged enforcement could even be started.

- o Though discrimination in housing was prohibited in the 1968 Civil Rights Act -- we have had no effective means of enforcing the law. Recent studies have shown that more than half of the blacks and Hispanics who seek housing (rental or purchase) encounter some type of discrimination.

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THE WHITE HOUSE
WASHINGTON

23 Jul 80

FOR THE RECORD

ARNIE MILLER AND JACK WATSON
RECEIVED A COPY OF THE ATTACHED.

PM
NAME Reginald Jones

1504

TITLE Chairman & CEO of General Electric

CITY/STATE Fairfield, Connecticut

Phone Number--Home (203) 869-2660

Work (203) 373-2136

Other ()

Requested by J. Watson/A. Miller

Date of Request 6/3/80

INFORMATION (Continued on back if necessary)

As we indicated in our memorandum of May 19, Reg Jones has agreed to help us with the recruitment of a CEO and Members of the Board for the ESC. He had a long talk with Irv Shapiro. Shapiro will consider serving on the Board but does not want to be the CEO. Reg will continue to work on him for the Board position.

Reg and Bill Miller agreed that Bill Miller ought to work on Frank Cary.

NOTES: (Date of Call _____)

not made

Miller is arranging to meet with Cary in New York during the next few days.

If we cannot get Cary, we want Reg and Shapiro to work on Fletcher Byrom and Robert Charpie, our other CEO candidates.

We think it would help for you to call Reg Jones and thank him for his help on the project. We feel this will encourage him to continue helping to recruit a high-level CEO and to convince Shapiro to serve on the Board.

3782

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July 22, 1980

MEETING TO DISCUSS FARM POLICY WITH CHAIRMEN
HERMAN TALMADGE AND TOM FOLEY

Wednesday, July 23, 1980
8:45 a.m. (15 minutes)
The Oval Office

From: Frank Moore *F.M./BR*

I. PURPOSE

To discuss farm policy.

II. BACKGROUND, PARTICIPANTS & PRESS PLAN

Background: Several months ago, Chairman Tom Foley of the House Agriculture Committee requested a meeting with you to discuss farm policy. Foley felt that we needed to develop a policy before the Fall campaign. His original request was made before the current drought, which has greatly increased our need for a policy.

Chairman Talmadge has been invited to join the meeting.

Participants: The President, Chairmen Talmadge and Foley, Frank Moore, Dan Tate, Bill Cable and Lynn Daft.

Press Plan: Full press at the beginning of the meeting, followed by White House photographer only.

III. TALKING POINTS

Talking points will be supplied by Lynn Daft.

*Think some
Wisdom of memorandum
Consecutive trip
Exchange of letters long
Continuity of policy
Good insight
a free enterprise
Speak out on US-PEC relations*

TALKING POINTS

OPENING (Press Coverage)

- o Farmers live with the unpredictability of weather and the uncertainty of their markets, year in and year out. That is part of the nature of farming. Yet, this has been an especially difficult year for many American farmers. Rapid increases in production costs, led by higher energy prices, have squeezed net farm income hard. We have acted firmly to bring down inflation and interest rates, and the measures we have taken are working. We are moving as well to end the dependence on imported oil that makes farmers so vulnerable. More recently, drought and unusually hot weather have damaged crops in certain regions of the country.
- o In light of the economic problems this has produced for so many family farmers, I have invited Senator Talmadge and Congressman Foley, Chairmen of their respective Agriculture Committees, to sit down with me this morning to discuss measures we might cooperatively take to provide needed assistance.
- o I am proud of our past accomplishments in working with the Congress in the farm policy field. Working together, we have fashioned the most effective, most far-sighted agricultural policy in this nation's history. Nevertheless, we must not be blinded by the need to adjust and fine-tune this policy as conditions change. This is the topic of our conversation today.

DETAILED POINTS (Closed Session)

- o Although there are several topics that we could profitably discuss, I would like to focus first on the issue of loan rates and the proposed legislation that has been reported out of both committees to authorize special loans for grain entering the farmer-owned grain reserve.
- o While I am convinced of the need to bring our price supports more in line with rapidly rising production costs, I believe there are a couple important factors in making such changes to be considered:
 - (1) The continuing need for budgetary restraint; and
 - (2) The need to preserve the overall integrity and design of our current policy framework.

o With these factors in mind, I am considering the following:

- (1) Asking Secretary Bergland to immediately raise the basic loan rate for 1980 crop wheat to \$2.80 and the basic loan rate for 1980 crop corn to \$2.25.
- (2) At the same time, we would administratively raise the reserve release and call levels in proportion to the increase in the basic loan rates (wheat: to \$4.20 and \$5.18; corn: to \$2.81 and \$3.26).
- (3) Finally, we would endorse the pending legislation measures to provide special loan rates for reserve grain at the levels contained in the House bill (wheat: \$3.30; corn: \$2.40), provided:
 - a) that an interest waiver for grain going in reserve is not mandated; and
 - b) that the reserve call levels are not legislatively set.

I would appreciate your counsel on these actions.

o With regard to the drought, I have already asked Secretary Bergland to provide a full report on the severity of the damage and to take whatever steps are necessary to ensure that the several existing disaster relief programs we now have are implemented to full effect. I have also asked John Macy, Director of the Federal Emergency Management Agency to coordinate programs government-wide for the same purpose. (NOTE: Senator Talmadge has recently introduced a bill that would defer FmHA loan repayments for up to 3 years).

THE WHITE HOUSE
WASHINGTON

23 Jul 80

The Vice President
Jack Watson
Al McDonald
Jody Powell
Sarah Weddington
Stu Eizenstat
Anne Wexler
Lloyd Cutler
Frank Moore
Gene Eidenberg
Jim McIntyre
Alfred Kahn
Hedley Donovan

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

Rick Hutcheson

ADMINISTRATIVELY CONFIDENTIAL

EYES ONLY

3866



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July 22, 1980

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

Max Cleland

VA Presidential Update

For Reagan - The VFW has endorsed Ronald Reagan - its first ever endorsement of any Presidential candidate. Former Rep. William Ayres, who has been organizing veterans for the Republican National Committee, hailed the move as a "big boost for Reagan because of the ripple effect." The VFW last year organized a Political Action Committee for the first time; has collected over \$170,000 and has also endorsed 19 present Members of Congress. No other major veteran organization has a PAC, and although they plan to remain neutral, we have received word that a "Veterans for Reagan" committee will soon be formed. The committee reportedly will be headed by the present National Commanders of the VFW and the American Legion (whose terms expire in August) - Howard Vander Clute of New Jersey, and Frank Hamilton of Indiana.

A Great National Resource - A just completed report underscores the fact VA is the major provider of training for medical personnel in the entire nation. Nearly 97,000 trainees received all or part of their clinical training in VA facilities in FY 1979. This included 37% of all American physicians in approved medical residencies; 31% of all medical students in the country; 17% of all dentists in post-doctoral training; 11% of all nurse students and 15% of all graduate psychology students.

Good Record Enhanced - Vietnam Era veterans now number a solid 15% of all Directors and Assistant Directors in VA field stations. The 70 VEV executives almost quadruples the number in these jobs when I came aboard. What's more, almost one-third of the 70 are physically disabled. I assure you this record will get better and better.

Indian Outreach - The outreach program we initiated for American Indians in the southwest area is paying dividends. The last FY report shows a 50% increase over the prior year in benefit claims for these needy and once neglected veterans.

THE WHITE HOUSE

WASHINGTON

July 18, 1980

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MEMORANDUM FOR THE PRESIDENT

FROM: ALFRED E. KAHN

Fred

**Electrostatic Copy Made
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SUBJECT: Weekly Activities Report

Reagan Tax Cut Proposal

I took advantage of several opportunities last week to criticize publicly Governor Reagan's tax cut proposal as inflationary: in a syndicated television interview with Irving R. Levine; on a radio talk show and television interview in New York City; and in a Minneapolis speech before the major food retailers in the Twin Cities metropolitan area.

Wage/Price Program

A week ago Tuesday we published our Issues Paper on third year price standards, asking the public for comments by the end of this month. We announced on Thursday that the Quaker Oats Company had agreed to forego \$3.4 million in profits during the present program year in return for exceeding its allowable profits during the first program year. We also announced that we were adding the Hotel and Hotel-Casino divisions of the Hilton Hotel Corporation to the official list of noncomplying companies. In doing so, we stressed the contrast between Hilton's refusal to discuss corrective action and the Quaker Oats agreement.

This past Tuesday we added Murphy Oil Corporation of El Dorado, Arkansas, to the list because the company exceeded its allowable gross margin and failed to show that its base period was unrepresentative. The addition of Hilton and Murphy Oil brings the number of listed noncompliers to thirty-one, with sixteen listed for noncompliance with the price and fifteen with the wage standard.

THE WHITE HOUSE

WASHINGTON

July 18, 1980

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MEMORANDUM FOR THE PRESIDENT

FROM

ANNE WEXLER *AW*

SUBJECT

Activities Report --- Week Ending July 18, 1980

1. Youth Employment. During the recess, NEA had over 1,000 teacher lobbyists contacting Congressmen at home supporting the youth employment legislation. Other organizations did the same. As necessary, they will bring their membership to Washington when the legislation comes up on the House floor. Reports from the supporting groups are very positive.

2. Alaska Lands. The interest groups are not optimistic on our amendments to the Senate committee version of the Alaska Lands legislation. Your continued involvement is extremely important to this constituency. Once Senate activity is over, we'll need to carefully consider our conference strategy in regard to the expectations of the environmental constituency.

3. EMB. With Secretary Duncan, Frank Moore and Stu Eizenstat, we are working with business groups to try to get back some of the Republicans who supported EMB the first time around in the House. With the exception of some groups who have been with us on most energy legislation (American Gas Association, construction industry, NAM, and certain energy companies) many business groups are lukewarm on the EMB because without it they feel they will be able to make more direct attacks on environmental laws in the next Congress. Some feel that EMB will only lead to additional litigation.

4. Fair Housing. We are working closely with the supporting interest groups to assure attendance and accurate vote counts for the full Judiciary Committee markup now scheduled for July 23. They are optimistic. We should make an all out effort for a Senate floor vote.

5. Economy. With Bill Miller and your other economic advisors, we have continued to consult with business leaders on tax cut and economic issues. For the most part they do not believe a tax cut should be enacted during the current session, but do feel there should be a 1981 tax cut encouraging investment and productivity. A number of business leaders, however, believe that we should set out our position as soon as possible in order to show what a reasonable tax cut would look like and in order to keep Democrats and Republicans from running off with some of the current proposals. This point has been made often and strongly by a cross section of business leaders who feel that we are otherwise missing a great opportunity to provide leadership.

6. Miscellaneous -

- The civil rights organizations now support our formula changes in the Revenue Sharing legislation. They are the only constituency doing so and we are not optimistic.
- I have attended several Olympic fundraising lunches and it appears that the program is successful. John Filer had 10 CEOs to a lunch in Hartford where he pledged \$100,000 from Aetna and asked each of the other CEOs to do the same.
- We organized briefings for labor, business, environmentalists, consumers and insurance on the Tuesday afternoon of the automobile announcement in Detroit. Neil Goldschmidt and Stu Eizenstat did an excellent job and these briefings led to positive comments by Ralph Nader and environmental leaders.

Community WASHINGTON, D.C. 20506
Services Administration



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MEMORANDUM FOR THE PRESIDENT

TO: Rick Hutcheson
Staff Secretary

FROM: Richard J. Rios
Director

SUBJ: Weekly Report of Significant Agency
Activity

DATE: July 18, 1980

**Electrostatic Copy Made
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CSA distributed \$6.75 million in emergency funds to its CAP network to help low-income individuals in the southeast and southwest to cope with the lingering heat wave.

The money will provide transportation to local and state heat relief centers, purchase or rental of low-cost appliances such as fans, payment of utility bills, and for other services that will reduce the potential heat hazards to the health of low-income persons.

The states earmarked to receive federal assistance immediately were Texas (\$2.5 million), Missouri (\$1.25 million), Arkansas and Oklahoma (\$1 million each), and Kansas and Louisiana (\$.5 million each).

The U.S. Weather Service predicts that the heatwave will continue through August and the number of deaths attributable to the heat will continue to increase. At present, the death toll is over 1,000 persons with senior citizens being the primary victims.

CSA will continue to coordinate the federal effort to help states affected by the heat-wave.



Electrostatic Copy Made
THE SECRETARY OF ENERGY for Preservation Purposes
WASHINGTON, D.C. 20585

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July 18, 1980

MEMORANDUM FOR: THE PRESIDENT
FROM: CHARLES W. DUNCAN, JR.
JOHN C. SAWHILL
SUBJECT: Weekly Activity Report
Week of July 14-18, 1980

A large, stylized handwritten signature in black ink, overlapping the "FROM:" field of the memorandum.

1. Alaska Natural Gas Transportation System. The Canadian Cabinet has announced its decision, made last night, to approve the prebuild portion of the pipeline project. We expect the Canadian National Energy Board to release its report next week concluding that the non-prebuild portion of the pipeline can be financed privately. That should satisfy Canadian legal requirements and remove the last obstacle to construction of the prebuild portion.
2. Great Plains Coal Gasification Plant. You announced today the Administration's conditional commitment to a \$250 million loan guarantee for the Nation's first commercial-scale coal gasification plant to be built by American Natural Resources. We will work with the consortium to obtain the additional financing in order to issue the final guarantee by the end of October.
3. Energy Security Act Implementation. Meetings were held this week between the Departments of Energy, Agriculture, Commerce and Treasury, the Domestic Policy Staff, OMB, and the Community Services Administration concerning the implementation of biomass programs under the Energy Security Act and the role of existing alcohol fuels programs. OMB is developing a list of issues for resolution by the participating agencies, OMB, and the White House. We will be watching this closely in the next few weeks to ensure rapid implementation.
4. Energy Mobilization Board. Secretary Duncan attended five separate meetings with the Edison Electric Institute, the Interstate Natural Gas Association, representatives of the synthetic fuels industry and groups of investment bankers and electrical generation executives. The meetings were held to discuss our continued support for the EMB legislation and our intention to continue to work for its passage.
5. Strategic Petroleum Reserve. The Economic Regulatory Administration will issue a notice next week proposing petroleum transfers from the Naval Petroleum Reserve to the Strategic Petroleum Reserve.
6. Gasoline Shortage Report. Separate reports were issued by the Department of Energy and the Department of Justice on Thursday. Both reports concluded that last year's shortage was not the result of conspiracy or illegal activity by oil companies. Copies of the report have been delivered to interested members of Congress.

7. Travel. Secretary Duncan was in Edmonton, Canada, on Tuesday to discuss the Alaska Natural Gas Transportation System and price stability for natural gas with Premier Lougheed of Alberta. On Wednesday, he was in Valdez, Alaska, to tour the North Slope oil pipeline facility and in Anchorage to address the Commonwealth North Club. On Thursday, he was in Fairbanks to address the Chamber of Commerce and at Prudhoe Bay for a visit with ARCO and SOHIO executives and a tour of oil production, exploration, and pipeline facilities.

John Sawhill will be in Nigeria next week with the Vice President.

Dr. Sawhill will chair the energy working group discussions of the fifth round of U.S.-Nigeria Economic Bilaterals. Issues to be discussed include LNG problems, oil prices and production, and a possible memorandum of intent on cooperative research and development.



Office of the Attorney General

Washington, D. C. 20530

July 18, 1980

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Principal Activities of the Department of Justice For The Week of July 12, 1980 through July 18, 1980

1. ABSCAM

A federal grand jury in Washington, D. C. returned an indictment on July 15 charging Congressman Richard Kelly of Florida and two other men with conspiracy, bribery, and interstate travel to aid racketeering. The defendants were charged with agreeing to accept \$250,000 in return for Mr. Kelly's promise to introduce special immigration legislation on behalf of a foreign businessman. The indictment resulted from the ABSCAM investigation conducted by the FBI.

2. Cuba

There have been 929 constructive and 125 actual seizures of vessels returning from Cuba with passengers since May 14. Since the flow of boats began, 1844 vessels have received notice of intent to levy fines. In 1355 of those cases, administrative orders for collection of fines have been entered, and an additional 772 cases in dispute have entered the adjudication process. As a result of litigation, the Department has entered into agreements which allow for the release of seized commercial vessels on the condition that no further trips to Cuba are made. Approximately 125 persons have been arrested for violations related to the boat lift.

There are at present 1649 Cuban nationals in detention in various facilities because of their past records, and more than half may have serious criminal records. One hundred fifteen exclusion hearings have been commenced; 81 of these have been completed, and final exclusion orders have been entered against 52 individuals.

As of July 16, 22,610 Cubans were in processing centers awaiting sponsors.

3. Hazardous Wastes

The Department filed a civil suit against 11 major chemical producers and an operator of two chemical dump sites near Baton Rouge, Louisiana, charging them with creating an imminent and substantial danger to public health and the environment. Acting at the request of the Environmental Protection Agency, the

Department sought a temporary restraining order and injunctions requiring the defendants to cease all dumping and to clean up existing wastes at the two sites. This is the first suit which has sought to force the producers of chemical wastes, rather than just the dump operators, to clean up contaminated sites.

4. Nazis

The Department filed a civil action in Brooklyn, New York, seeking the denaturalization of Michael Dercacz, charged with concealing his service in the Ukrainian Police Command when he entered the United States in 1949. The suit alleges that Mr. Dercacz "actively participated in beatings and executions of unarmed Jewish civilians" in the German-occupied Ukraine.

In another action, the Department was forced to move for dismissal of a similar suit against Tscherim Soobsokov in Newark, New Jersey. The Department had previously sought, but failed to get, verification from the State Department and the CIA of the defendant's claims that he had not concealed his membership in the German SS and other organizations. However, the CIA recently produced the relevant documents, which forced the Department to move for dismissal.

5. Civil Rights

The Department obtained a consent order which would require the City of Philadelphia to hire women for 30% of the next 2670 officer vacancies in the city's police department. The decree also calls for women to be promoted to certain future vacancies, and for the payment of \$700,000 in back pay to 96 women who alleged past discrimination.

The City of Cincinnati has also signed a consent decree setting a five-year goal for increasing the number of blacks and women serving as police officers to the level of their representation in the city workforce.

6. Meetings and Events

On July 8, the Attorney General addressed the Eighth Circuit Judicial Conference in Colorado Springs. On July 15, he addressed the Ninth Circuit Judicial Conference in Monterey, California on principles of federal prosecution. On July 12 in Los Angeles, the Attorney General received the Golden Plate Award from the American Academy of Achievement.



THE SECRETARY OF HEALTH AND HUMAN SERVICES
WASHINGTON, D. C. 20201

Q

July 18, 1980

MEMORANDUM FOR THE PRESIDENT

**Electrostatic Copy Made
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SUBJECT: Weekly Report of HHS Activities

Heat Wave Hits Elderly Hardest. The affects of the heat wave have been exacerbated by the public's failure to take common sense precautions and the unwillingness of many elderly persons to turn on air conditioning that will increase their utility bills. The Department has transferred \$5 million to CSA to provide assistance to low income families suffering from the affects of the heat wave. We have also activated our emergency plan in Texas and Missouri and are working with the Administration on Aging agencies to provide assistance to elderly populations in these areas. The Surgeon General has released a statement which urges people to take necessary precautions and provides medical advice for dealing with high temperatures.

Final White House Conference on Families in Los Angeles. I delivered the keynote address underscoring the importance of the Federal Government's role in strengthening families, particularly in the areas of health and human services. The speech was well received by the delegates. While in Los Angeles, I also held a number of press briefings and appeared on talk shows speaking on behalf of the Administration's domestic programs.

Cuban/Haitian Processing Center for SSI and Disabled Claims to be Opened in Miami by the Social Security Administration. The recent extension of assistance to Cubans and Haitians has generated a large volume of inquiries. The Social Security Administration has assigned personnel to the Miami area to process the 15,000 claims that are anticipated.

FY 1982 Budget. I established a Budget Policy Committee composed of senior Departmental officials to review budget submissions from agencies within the Department and make recommendations on FY 1982 budget and legislative proposals.

Nursing Home Regulations. On July 9, the Department announced proposed regulations which would require nursing homes to observe patients' rights in order to receive Medicare and Medicaid funds. The proposed rule also provides for improvements in comprehensive health care plans for each patient. We expect to finalize these rules later this year after receiving public comments.

Three Mile Island. A team of radiological health specialists from the Public Health Service is assisting the Environmental Protection Agency in sampling the radioactive krypton gas that is being vented. The total dose from the venting process was far below the EPA's whole body dose standard of 25 millirem per year.

Visit of the Nigerian Health Delegation. The Nigerian Ministry of Health delegation will begin a two-week tour of the U.S. tomorrow. Their itinerary includes meetings with me and the Department's senior staff, a tour of the National Institutes of Health, and visits to urban and rural health centers. My discussion with the Ministry of Health will focus on cooperation between the two countries in the health field.



Patricia Roberts Harris



THE SECRETARY OF TRANSPORTATION
WASHINGTON, D.C. 20590

C

July 18, 1980

MEMORANDUM FOR THE PRESIDENT

THROUGH: Rick Hutcheson, Staff Secretary

FROM : William J. Beckham, Jr.
Acting Secretary

A handwritten signature in black ink, appearing to read "William J. Beckham, Jr.", is written over the typed name in the "FROM" field.

SUBJECT: Significant Issues for the Week of July 14

Cuban Refugee Operation - Pursuant to your authorization of 3 June, Secretary Goldschmidt ordered the involuntary call-up of Coast Guard Reservists to sustain the Cuban refugee operation while maintaining acceptable performance levels in all Coast Guard missions. In the first four weeks of the call-up, some 600 Reservists provided over 8,000 man-days of reinforcement as boat-crew replacements, cutter maintenance and repair teams, and in personnel support functions. The need for involuntary duty is expected to continue through the end of the fiscal year.

Rail Regulatory Reform - The House on Monday will continue votes on the rail deregulation bill. We expect some erosion of the strong support shown previously for the Administration position due to heavy lobbying by anti-deregulation forces during the Congressional recess. Key votes are yet to come on several rate-setting provisions. The Secretary and departmental staff are giving full effort to defeating weakening amendments and to final passage.

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THE SECRETARY OF THE TREASURY
WASHINGTON

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MEMORANDUM FOR THE PRESIDENT

Subject: Highlights of Treasury Activities

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1. THE MARKETS AND THE DOLLAR

- . Stock prices advanced amid signs that the economic decline may be moderating and better-than-expected second quarter corporate earnings reports. Heavy institutional buying propelled the Dow Jones index up to 923.98 today, the highest close since June 1977. Over the week the index posted a 32.85 point net gain.
- . In the credit markets interest rates posted moderate declines due to market speculation that the Federal Reserve may have adopted a slightly more accommodative monetary stance.
- . Expectations of additional supplies from possible U.S. Treasury gold sales depressed the London gold market. Spot gold plunged \$63.50 on the week, closing today at \$606.50. Silver trading was very slow over the week, down \$.80, closing today at \$15.52.
- . Foreign exchange markets were generally quiet but continued to be sensitive to indications that the U.S. might relax anti-inflationary policies. Some pressures developed on Wednesday when the market misinterpreted the significance of a Federal Reserve domestic money market operation. Moderate Treasury and Fed intervention was successful in calming the exchange market, and the dollar firmed following the report of an increase in housing starts in June and your statement that no tax cut would be proposed this year.

2. CHRYSLER

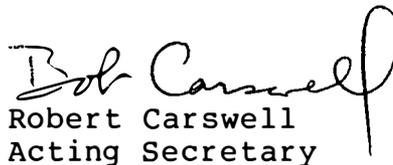
- . On Tuesday, July 15, the Chrysler Loan Guarantee Board made the determinations necessary to issue up to an additional \$300 million in loan guarantees to Chrysler. Because of the 15-day Congressional notification period, the guarantees will not be issued until at least July 31. Issuance of the full amount would bring outstanding guarantees to \$800 million; the total authorization is for up to \$1.5 billion.
- . Chrysler's potential viability has become increasingly marginal. The company is undertaking additional restructuring and consolidation steps to improve its prospects.

3. SECRET SERVICE CANDIDATE PROTECTION

- . At the request of the Reagan for President Campaign, Treasury has transmitted to the Congress a draft bill to provide for Secret Service protection of the spouses of major Presidential and Vice Presidential nominees. Protection would begin 120 days before the general election. Under current law, spouses of nominees are eligible for protection only 60 days prior to the general election.

4. MULTILATERAL DEVELOPMENT BANKS (MDBs)

- . As you are aware, the IMF Authorization Bill has passed the Senate. The House, however, is running behind schedule and may not be able to consider the bill until late August or early September.
- . If a post-election session is held, then the IDA VI authorization bill will most likely be deferred until that time. Such a deferral would cause some problems for the World Bank because it already is engaged in arranging for bridge loans until the new IDA replenishment can take effect. Instead of bridging until October, bridge loans would then be needed through the end of December.


Robert Carswell
Acting Secretary

THE SECRETARY OF EDUCATION
WASHINGTON, D.C. 20202

JUL 18 1980

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Weekly Report of ED Major Activities
(covering events from July 1 to July 18)

Resignation

Dr. Edward D'Alessio, Assistant Secretary for Non-Public Education, has submitted his resignation effective August 15, 1980 in order to accept the position of Executive Vice President at Seton Hall University in New Jersey. We have begun an active search for candidates to fill the Non-Public Education position.

Legislation

Higher Education: On June 24, the Senate passed (92-4) S. 1839, the Higher Education Act reauthorization. The House passed its version last November. House and Senate conferees will begin meeting on July 21 to reconcile differences between the two versions. Preliminary discussions on conference issues are being held among ED, OMB, House and Senate staffs.

Youth Act: The House has tentatively scheduled floor action on the Youth Act, H.R. 6711, for Tuesday, July 22. Several amendments will be offered. None of the amendments which are expected to pass would significantly alter the bill. The Senate subcommittee is not expected to mark up the bill until early August.

Other: The 1980 Supplemental Appropriations and Rescission bill included \$344 million dollars of the \$570 million in rescissions you recommended for education programs. The significant exceptions were:

- o Concentration Grants: We requested a \$50 million rescission from the \$200 million appropriation; Congress rescinded \$100 million.
- o National Defense Student Loans: We recommended a rescission of \$100 million which was not approved.

- o Vocational Education: We proposed a rescission of \$87.5 million which was not approved.

Regulations

Lau Regulations: We are currently developing a Notice of Proposed Rule Making (NPRM) for regulations implementing the Lau decision. These proposed regulations will outline the Title VI obligations of school districts to provide services to children whose dominant language is other than English. We are planning to release the NPRM the first week of August. A draft copy of the NPRM will be circulated to the Domestic Policy Staff prior to public release. We will also coordinate the selection of locations and scheduling of public participation hearings with the White House staff.

Congressionally-Disapproved Regulations: At your request, I have discussed this matter with both Lloyd Cutter and Ben Civiletti. We have agreed on a strategy for your review which supports the Administrations' Legal position while remaining responsive to legitimate Congressional concerns. I have submitted a memorandum for your consideration outlining these steps.

Speeches

In addition to my NEA speech on July 5 I spoke to a joint meeting of the Los Angeles Women's Lawyers Association and Women in Bussiness on July 7. I also addressed Reverand Jesse Jackson's PUSH/EXCEL conference in New Orleans on July 16 and then spoke at the national conference of the National Alliance of Business on July 17 in Washington, D.C.



Shirley M. Hufstедler



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

July 18, 1980

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

Subject: Weekly Report of Major Departmental Activities

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UDAG Leverages \$1 Billion in Private Investment. On July 9, I announced Urban Development Action Grant awards of \$165 million to 49 metropolitan cities. These funds will go to 72 projects and are expected to result in some \$1 billion of new investment in distressed areas. This is a record for grants and funds awarded in a single round and responds to increased demand from large cities. HUD had received requests totalling \$686 million for 200 proposed projects.

Families Face Restrictions in Rental Housing. Last week at the Los Angeles White House Conference on Families HUD released the results of a national survey on restrictive rental practices affecting families with children. Our findings show that some three-quarters of all rental housing units in the country either ban altogether or apply some restrictions to families with children. A typical family with two children of the opposite sex is excluded from 47 percent of all two-bedroom rental units. These restrictive practices seem to be increasing and are applied more frequently to the higher quality rental housing stock.

New Effort Made to Curb Fraud and Abuse. In keeping with your emphasis on curbing program abuse and minimizing opportunities for fraud in government programs, HUD implemented the Management Control Assessment System (MCAS) on July 1. The MCAS requires the Department's Primary Organization Heads to perform management control assessments of selected functional areas under their respective jurisdictions. Top officials of the Department will be held accountable for assessments and will be monitored through our Executive Management Reporting System. We believe that HUD is the first federal agency to develop and implement such controls.

Minority Business Enterprise Demonstration Program Launched. In order to promote the achievement of Presidential policies regarding the enhancement of minority business enterprise, we have announced a new demonstration program to promote the integration of such businesses into the mainstream of the housing industry. We are setting aside a minimum of \$6 million in contract authority to provide approximately 1,000 units of Section 8 housing for low and moderate income persons. Minority developers are given preference in the demonstration, which will span fiscal years 1980 and 1981 and include one, two and three or more bedroom units.

Development Council Sets Priorities. The Council on Development Choices for the '80s has selected six objectives for future development directions based on information obtained in regional forums. These include: reducing the growth of energy consumption; facilitating economic development; containing and reducing housing and development costs; maintaining profitability in development; reducing the costs of public facilities and services; and facilitating the social and economic mobility of disadvantaged persons.

Moon

Moon Landrieu

U.S. DEPARTMENT OF LABOR

SECRETARY OF LABOR
WASHINGTON, D.C.

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July 18, 1980

MEMORANDUM FOR THE PRESIDENT

FROM: THE SECRETARY OF LABOR (Ray)

SUBJECT: Major Departmental Activities
July 14-18, 1980

Preparing for the convention and the general election. In the course of the last several weeks, we have begun planning for the convention and general election campaign. In my judgement, the campaign will center on Reagan's effort to gain the support of workers. Although at this stage, he may have some success, if we work hard, we can deny him any significant support. His main appeal to workers will be based on the rising unemployment rate which he is trying to argue we both welcomed and caused. I think we can and must refute this allegation. His other main attraction for workers will be his simple and aggressive views on defense and foreign policy. To counter this, we need to develop a clear and concise statement of goals and policies. We are just completing a compilation and analysis of the Reagan record in the labor area. His position on these issues will not attract much worker support.

International Labor Organization (ILO). Although we are continuing to review the proceedings of the ILO conference which I attended in June, the labor, employer and government representatives were pleased with the results. We made some very significant progress in some key areas. I will send to you soon a short memo outlining our accomplishments.

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THE WHITE HOUSE

WASHINGTON

21 Jul 80

Secretary Miller

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

Rick Hutcheson

THE SECRETARY OF COMMERCE
WASHINGTON, D.C. 20230

cc B Miller
J

July 19, 1980

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FYI

REPORT TO THE PRESIDENT

Business Relations and Taxes: While there is a tendency among most top business leaders to want to support your position on deferring consideration of a tax package until next year, their willingness to do so is rapidly eroding due to their perception of a lack of Administration consultation with them on this matter, and due to our failure, in their minds to convey any indication of our thinking as to what concerns would be addressed by an Administration package whenever submitted. This point of view was explicitly presented by the most senior representatives of the Business Roundtable with whom I met this week, an expression of concern echoing the sentiments of those who attended the meeting with business convened this week by Anne Wexler, and those with whom I spoke at the National Alliance of Business meeting also this week. In this vacuum, business continues to focus on the 10-5-3 proposal giving to it unwarranted momentum and credibility, and several Administration supporters who have been asked to testify on the tax issue at the end of next week find themselves in a particularly difficult position not being privy to Administration thinking. Perhaps Secretary Miller's testimony next week, in which I expect he will lay out the broad parameters of Administration thinking, may assure business and the Congress of our general intention with regard to capital formation. This may be sufficient to allay significant business and Congressional concerns, and could engender significant support. If not, we would be advised to take further steps through appropriate consultation.

Fisheries: The worsening plight of our fishing industry, particularly due to the high price of domestic diesel fuel both in absolute terms and relative to the domestic price of major competitors -- Mexico, Venezuela, and Canada -- was expressed to Anne Wexler and me at this week's meeting with industry representatives. Increasing foreign competition in fisheries coupled with rapidly escalating domestic costs, is increasing domestic protectionist pressure as manifest in the Breaux bill currently before Congress. This, in turn, is causing considerable concern to some of our trading partners, particularly the Japanese whose Director General of the Japanese Fisheries Agency met this week with me and NOAA Administrator Richard Frank. The fisheries issue is also disproportionately complicating our relations with Canada particularly because of our inability to move the boundary and fisheries treaty in the Senate in spite of the superb efforts of Lloyd Cutler. The Canadians underscored their concern in the context of my meetings this week in Ottawa to discuss our overall trading relationship. We will soon convene a high-level, industrial sector meeting with representatives of the fishing industry as a whole to discuss their full range of concerns.

THE WHITE HOUSE
WASHINGTON

21 Jul 80

Jody Powell

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

Rick Hutcheson

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

cc Jody.
I may want to
attend.
advise

July 18, 1980

MEMORANDUM FOR THE PRESIDENT

FROM: Gus Speth
Jane Yarn
Bob Harris



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SUBJECT: Weekly Report

Global 2000. The Global 2000 Report to you, Entering the Twenty-First Century, will be formally released by Secretary Muskie and me on Thursday, July 24 at a press briefing at 11:00 a.m. in Room 450. The Report concludes a three-year interagency study of world population, natural resources, and environment through the end of the century that you directed CEQ and State to conduct in your 1977 Environmental Message to serve as "the foundation for our longer-term planning."

A broad cross-section of nongovernment organizations (NGOs), including business, labor, and environmental leaders and scholars have been invited to a reception in the Treaty Room (474 EOB) on Thursday morning. Several NGOs which strongly support the effort will hold a panel discussion at the National Press Club following the release. The State Department will host a diplomatic briefing later in the afternoon.

Thank you for asking me to chair your interagency task force on global resources and environmental problems. With the help of Secretary Muskie and others, we will develop for you a response to our serious global environmental problems that should be a major initiative of your second Administration.

Alaskan Lands Legislation. Your Monday morning East Room event with supporters of the legislation from throughout the nation is extremely important to kick off a strong push for an adequate bill, your "highest environmental priority." We hope you will devote as much time as you can to this event.

We also wish to commend the attention that White House staff have given this issue thus far. We trust that White House staff are also requesting Administration officials who can influence particular members of the Senate to call these Senators to emphasize the Administration's position on Alaska and the foresight with which the Senate has an opportunity to act. No effort should be spared in our attempt to secure adequate legislation in the Senate next week.

New NRC Chairman. I worked closely with the Personnel Office in reviewing candidates for you for NRC Chairman and believe you have made a good choice in Al Carnesale. Both the N.Y. Times and the Washington Post have run supportive editorials.

National Bureau of Standards: Reporting to me on behalf of some 250 engineers, scientists and industrial leaders involved in various aspects of the continued oversight of NBS, the NBS Visiting Committee paid high compliments to the competence of NBS personnel and research activity, but expressed grave concern for its continued excellence and world preeminence given what they believe to be an inadequately low level of capital investment in new equipment, particularly as it regards our failure to upgrade the Bureau's 15-year-old computer capability. This is believed a dangerous weakness. Having toured NBS this week, I found it one of the most impressive albeit least known Government facility, and am struck by its profound contributions to maintaining the nation's scientific and technical infrastructure, and advancing U.S. industrial technology and innovation. I believe you would find a visit to NBS extremely interesting, and I invite you to do so should time permit.

Steel: Preparatory work for next week's reconvening of the Steel Tripartite Committee is near completion and Secretary Marshall and I believe that the substantial progress evidenced in the working group will enable completion of the Committee's report within the next few weeks. With respect to the pending antidumping cases, we determined this week that these cases are "extraordinarily complicated," a decision which extends the decision deadlines for both preliminary and final determinations. Absent some other resolution of these cases, a preliminary determination must now be made by October 17, and a final determination by December 31.

Canadian Consultations: I will forward to you and your foreign policy and other trade advisors a full report of our discussions this week with Canadian officials.


Philip M. Klutznick

THE WHITE HOUSE
WASHINGTON
23 Jul 80

Frank Moore

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

Rick Hutcheson

cc Zbig Brzezinski

ORIGINAL to Ev Small for
handling + delivery.

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THE WHITE HOUSE
WASHINGTON

7-23-80

To Senator Robert Byrd

I have read your excellent report about China, and consider your visit there to have been beneficial to our nation.

The comments of Premier Hua were completely compatible with those made to me in Tokyo and represent a reasonably similar analysis of the Soviet threat to that of our own government. Your reassurances concerning the continuity of U.S.-PRC relationships were, I am sure, very meaningful to him. Mr. Reagan's recent statements re Taiwan were a matter of concern to the Chinese. It is my hope that you will speak forcefully on this

THE WHITE HOUSE

WASHINGTON

issue, because our decision to normalize relations with China was historically one of the most significant and progressive actions of the decade or of our generation.

I was interested in your personal visits to the provinces and communities, and pleased at the prospects of a further exchange with the National People's Congress.

As China continues to see the value in moving more toward free enterprise and as our trade & other relationships are strengthened we will benefit greatly. There is no doubt that your visit has contributed measurably to this good prospect.

Jimmy Carter

THE WHITE HOUSE
WASHINGTON
23 Jul 80

FOR THE RECORD

ZBIG BRZEZINSKI RECEIVED A
COPY OF THE ATTACHED.

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Good report
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REPORT OF TRIP TO THE PEOPLE'S
REPUBLIC OF CHINA, JULY, 1980

ROBERT C. BYRD

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I visited the People's Republic of China from July 6 to 14, at the invitation of the National People's Congress.

During my visit I had lengthy discussions with Premier Hua Guofeng; Vice-Premier Zhao Ziyang; leaders of the National People's Congress; and other top Chinese officials. In addition to my meetings in Beijing, I had the opportunity to visit a number of points of special interest.

This was my second trip to the People's Republic, my earlier visit having been in August, 1975. Therefore, I had a chance to observe the changes that have occurred within the PRC during the past five years, and to contrast the current situation with that of 1975. I was accompanied on the trip by Richard Holbrooke, Assistant Secretary of State for East Asian and Pacific Affairs.

Overview

The primary impression that emerges from my trip is a sense of a more pragmatic, more realistic approach on the part of the Chinese in dealing with the formidable problems they face in their modernization efforts. I was strongly impressed by the determination of the Chinese to succeed in this monumental undertaking.

The Four Modernizations program is the centerpiece of an ambitious effort the Chinese have charted for the next twenty years. It is designed to strengthen China in four major areas: agriculture, industry, science and technology, and defense. The current and emerging leadership has a strong commitment to this program and an obvious stake in its success.

I found the Chinese leadership to be forward-thinking, willing to acknowledge areas of weakness, but eager and energetic in their efforts to overcome them. At this point the Chinese readily and candidly point to the "backwards" status of their agricultural, industrial, and technological capabilities, and they look to the United States, the West, and Japan for important assistance in these and other areas. But this is a sensitive matter and the Chinese, with their centuries of history and tradition -- as well as their pride in more recent accomplishments -- do not want to be looked upon as an unequal and lesser partner in a joint venture.

There is clearly a convergence of strategic interests between the United States and China, and a commonality in our view of significant aspects of current world affairs. That is not to suggest that our interests will always coincide, or that our view of world affairs will be similar and consistent. But I believe that China, representing one-fourth of the world's peoples, has an increasingly important

role to play in international affairs, and, along with Japan, has a particularly significant role in the Asian-Pacific region.

I emphasized to the Chinese leaders my conviction that there will be continuity in United States policy toward China. I expressed my judgment that the American people strongly favor a growing relationship with China, and that the U.S. Senate will continue to be steadfast in its support of a steady, gradual growth in Sino-American relations. I pointed out that such an approach represents a continuum in United States policy -- having been carried out under two Republican administrations and one Democratic administration, with support from the Legislative Branch. I also stressed to the Chinese leaders the important role that Congress, as an independent but co-equal branch of Government, is playing and expects to continue to play in foreign policy matters.

As a result of my trip, I am more convinced than ever that the United States has a real stake in the success of China's modernization effort, because a strong, secure, peaceful, and modernizing China is vital to stability in the Asian-Pacific region. In my view, it is increasingly apparent that the normalization of relations and strengthening of U.S. cooperation with China represents one of the most significant developments in recent history. Our growing relationship with China should be a fundamental element

of U.S. foreign policy. To alter the status of that relationship, to take any backward steps at this time, would be a blunder of monumental proportions and would seriously undermine U.S. interests in the world, as well as those of Taiwan and our friends and allies in the Asian and Pacific area.

During my travels through China, I observed some remarkable and significant changes in China since my visit five years ago. There is a much more practical approach to problem-solving. The introductions of incentives into the economy -- on a very limited basis -- is a new development, as is the interest in modern management techniques, and the granting of increased autonomy to the local and provincial levels and to various enterprises. Five years ago, I saw nothing similar to the bustling village markets I saw on this trip to Yunnan Province, where residents of the area were selling their produce and wares. And on a visit to a commune near Beijing, I found the emphasis to be on practical incentives to increase production, rather than the former emphasis on ideological rhetoric. And I found, as part of this determined effort to increase production, a willingness and desire to learn from the experience and knowledge of others.

My visit to China was the first Congressional visit at the invitation of the National People's Congress. Although their are obvious and basic differences in the American and Chinese systems of government, the NPC is Chian's legislative body. It is composed of 3,497 delegates, selected from China's 29 provinces and the military forces. The Standing Committee of the NPC, made up of 200 senior members, meets more frequently and carries on the business of the NPC in between plenary sessions. After consultation with Chairman Church of the Committee on Foreign Relations, and because of my strong conviction about the importance of increased cooperation and understanding between our two countries, I extended an invitation to the NPC to send a delegation to the United States, probably in early 1981.

I hope to see rapid progress in a number of areas of potential cooperation. In this regard, I hope to see early completion of negotiations on consular relations, which would enable additional consular offices in each country; civil aviation, maritime, and textile agreements; a possible bilateral business practices, tax and investment agreement; and completion of congressional action on Overseas Private Investment Corporation (OPIC) guarantees and ExIm-Bank budgetary authorization.

Further steps should be taken to facilitate commerce between the U.S. and China. For example, I think it is important to assist the Chinese in better understanding U.S. business laws and regulations. American professors could provide special courses on these subjects in Chinese universities. It is also important to provide training in management practices, which could be of great value to China. And there are various other efforts which could be undertaken to help improve understanding and communication between the two countries.

I think it is essential that we proceed with educational, scientific, and technological exchange and cooperation. English-language training in China is important and some programs are underway, but more are needed. Likewise, we must educate more Americans to speak Chinese.

Meeting with Premier Hua Guofeng

My first meeting in Beijing was with Premier Hua Guofeng on July 7 in the Great Hall of the People. The one-hour, 30-minute discussion occurred shortly before Premier Hua was to depart for Tokyo and the funeral of the late Japanese Prime Minister Ohira, after which he would meet with President Carter. I indicated that President Carter had asked me to convey his greetings and that he had told me he was looking forward to meeting the Premier in Tokyo. Premier Hua said he was very glad to have the opportunity to meet with the President.

Premier Hua devoted most of his remarks to Chinese foreign policy and the Chinese view of world affairs. He said that relations between the U.S. and China "have developed quite well, by and large," but said "we still have much to do."

He noted that from a strategic perspective the world in the 1980's "has become increasingly tense and turbulent."

The Premier stressed Chinese concerns over, and opposition to, actions by the Soviet Union, particularly in Afghanistan, and in supplying military support to Vietnam's invasion of Kampuchea. He said that when the Soviet Union had invaded Czechoslovakia in 1968, the Soviets had used two pretexts to cover their actions: first, by asserting the doctrine of "limited sovereignty of the family of socialist nations;" second, on the grounds of a friendship treaty between the Soviet Union and Czechoslovakia. Hua noted that this presumes that any country which enters into a treaty with the Soviet Union offers grounds for the Soviets to commit aggression against that country. In the case of Afghanistan, Hua said that the Soviets claimed they were invited to send troops by the Afghanistan Government. He said everyone knows that the government of Afghanistan at that time was led by Amin, whereas Babrak Karmal went into Afghanistan along with the Soviet troops. "It is not conceivable that Amin should have invited Soviet troops to intervene and to kill him and all his family."

The Chinese Government concludes that the Soviet claims are entirely baseless and without validity, Hua said, pointing out that Afghanistan had been an independent, non-aligned Islamic country.

Hua emphasized that the Soviet intervention in Afghanistan should not be considered a local action. "Once they have firmly established themselves in Afghanistan, they will expand toward the Indian Ocean, toward Pakistan and Iran, and toward the Middle East and Gulf regions." He commented that the Soviets fully appreciate the significance and strategic importance of the Gulf region. He expressed the view that, even if Soviet oil production does not decline, as has been predicted, "the Soviets will, nonetheless, seek to take control of the oil-producing region." He said this would be an "outflanking action" directed against Western Europe and would have catastrophic consequences for Japan and other oil-dependent countries.

The Chinese Premier said that the Soviet Union is also stepping up military activities in the Pacific area and that Vietnam is seeking "regional hegemony." He said, "The Soviet Union is taking advantage of Vietnamese ambitions to turn them into the Cubans of the Orient."

He said that if Vietnam is successful in its expansionist efforts in Indochina, the Vietnamese will expand further towards Thailand and other ASEAN (Association of Southeast

Asian Nations) countries. Hua stated, "If the Malacca straits fall under Soviet control, they can link up their military presence from the Indian Ocean to the Middle East."

Hua summarized the Chinese view of Soviet strategy: "If they are successful in their moves in the Middle East, Gulf region, and Indochina, it can be said that they, by and large, will have completed their strategic plan." This, he said, could plunge the world into a third world war.

Hua commended U.S. assistance to Thailand and said that both Thailand and Kampuchea need assistance in order to resist the Vietnamese. He noted the recent condemnation of Vietnamese action by the ASEAN foreign ministers and said that China had issued a strong statement "condemning Vietnamese aggression against Thailand."

"We also lodged a strong protest against the provocations of Vietnam along the Sino-Vietnamese border," Hua said. He said that China had launched "small-scale counterattacks into areas where the provocations were the greatest."

The Premier said that the main forces of Vietnam are concentrated on the Sino-Vietnamese border, with Vietnam maintaining 29 infantry divisions in that region, plus frontier guards, security forces, and air-force personnel.

The Chinese calculate that 60 percent of Vietnam's strongest and best forces are in the area of the Sino-Vietnamese border. Hua commented, "The Soviet aggression in Afghanistan and the Vietnamese aggression in Kampuchea represent two heavy burdens on their backs."

On the question of the U.S. hostages in Iran, Hua said that the Chinese view is that the Iranians are wrong to hold the hostages. But he commented that the domestic situation in Iran is very chaotic, and that patience is needed in dealing with this matter. He said that various channels should be explored to seek a resolution of the problem. Hua said his understanding is that the President and Foreign Minister of Iran want to see the issue resolved, but that they are not very authoritative at present.

Premier Hua said that when he attended the funeral of President Tito in Yugoslavia, Iranian Foreign Minister Ghotbzadeh asked to see him. In their meeting, Hua said that the Iranian official expressed concern about Soviet expansionism and aggression and indicated that Iran would offer firm resistance to the Soviets. Ghotbzadeh told him that Iran had advised the Soviets to pull out of Afghanistan and that if this did not happen, Iran would lend support to the struggle against the Russians. Hua noted that there has been a tradition of opposition to Soviet aggression among the Iranian people.

The Chinese leader said that China believes the Soviet Union is very isolated in the world, and he commended the position taken by the seven nations at the Venice Summit in opposition to the Soviet actions in Afghanistan. Hua said that on the one hand the Soviets are trying to intensify and

consolidate their occupation of Afghanistan and Kampuchea. On the other hand, he said, they have launched a "peace offensive" in an attempt to split the ranks of the Western countries. The Chinese view, Hua said, is that the only way to resolve the Afghanistan and Kampuchea questions is for the Soviet Union and Vietnam to pull their troops out of those countries, and let the Afghan and Kampuchean peoples settle their own affairs.

Premier Hua said that the U.S. and China should proceed, each from its own position, to counter Soviet expansion. "We in China do not wish to see war," Hua said. "We want very much an international environment of peace in which to carry out economic development. But to realize our wish for a peaceful international environment, it is necessary to fight against hegemonistic expansion and aggression."

In responding to Premier Hua, I noted that I agreed with much of the geopolitical analysis he had given. I stated that the Soviet action in Afghanistan had constituted a real turning point in United States attitudes.

I referred to the resolution on Afghanistan which I had introduced in the Senate and which was approved by a 96-0 vote on June 14. That resolution strongly condemned the Soviet invasion of Afghanistan and called for the withdrawal of all Soviet military forces from Afghanistan.

Premier Hua had expressed appreciation for the Senate's action earlier this year in approving the U.S.-China trade agreement and most-favored-nation (MFN) trade status for China. I told the Premier that the Senate is playing an increasing role in foreign policy and, in my view, will continue to play and equal but independent role.

In my comments, I cited five points which I believe the American people and the Congress will support --

(1) Continued progress in developing positive relations with the PRC.

(2) A stronger U.S. national defense, including a stronger Navy, Air Force, and Army, and a rapid deployment force to deal with contingencies that may arise in strategic areas of the world.

(3) A stronger North Atlantic Alliance. I cited President Carter's leadership in getting a commitment from NATO countries to increase defense spending and said that the Senate and the American people stand behind this and intend to keep that commitment.

(4) Successful achievement of the Four Modernizations program by China, a goal the United States want to help China achieve.

(5) Resolution of our own energy problems. This is a matter vital to U.S. security interests and to our ability to be effective internationally.

I expressed my view that, regardless of the outcome of this year's presidential election, there will be no turning back the clock in U.S.-PRC relations, which have now moved beyond the initial period of normalization and offer possibilities for increased cooperation in many areas. Relations between the U.S. and the PRC are extremely important in the current critical period of international affairs. We will continue to work to help China to achieve its modernization program, and to increase trade between our countries, realizing that this will contribute to greater international stability and is in our mutual security interests.

In his concluding remarks, Premier Hua said, "We also attach great importance to relations between China and the U.S. We do not view this relationship as a momentary thing, but from the perspective of our long-range strategic interests."

Hua said that in terms of size, China is vast, with 970 million people, but in terms of agricultural and industrial production, China is still relatively low. Therefore, China is committed to building up the country, but has no intention of seeking hegemony over other countries.

He said that the U.S., Western Europe, and Japan cannot separate themselves from each other and that all these forces "must close ranks to deal with hegemony." This he said, "is the only way we can hope for world peace."

Meeting with Vice-Chairman Ulanfu of the NPC Standing Committee

Following my meeting with Premier Hua, I met with Vice-Chairman Ulanfu of the National People's Congress (NPC) Standing Committee. During the meeting I extended an invitation to the NPC to send a delegation to the United States early next year. I told him that I had discussed this with Chairman Church of the Committee on Foreign Relations and would confirm the invitation in a letter after further discussions with the Committee. Ulanfu accepted the invitation, commenting that the tentative time frame of early 1981 would be appropriate.

Ulanfu said the Chinese hope to have more such exchanges and visits in the future because this will help our two peoples to know each other better and strengthen our friendship. He said that China wants to strengthen friendly relations in concurrence with its efforts to strengthen its economic development. "We must introduce advanced science and technology from foreign countries and, by so doing, further develop our relations."

Ulanfu emphasized, as had Premier Hua, that China, as it became stronger, would never seek hegemony or be harmful to other countries.

I commented on how I had been impressed with the progress in China since my previous visit, and by the attitudes and vision of the Chinese leaders and people. By learning to

recognize their own weaknesses, the Chinese were taking the first step toward strengthening their weak links and overcoming their problems. I reiterated U.S. willingness to work with China in this effort and my view that this would be in our mutual interests.

In his remarks at a dinner given in my honor by the NPC, Ulanfu said that the Chinese Government sees strengthening relations between our two countries as not only in the interest of China and the U.S., but in the long-term interest of world peace and stability.

Ulanfu said, "Hence, for us in China, to promote and deepen Sino-U.S. relations is not an expedient, but a strategic policy decision of long duration. We think highly of the fact that Mr. Byrd has, for a number of years, been supportive of the development of Sino-U.S. relations and influential in promoting normalization and strengthening our bilateral relations."

He expressed the hope that discussions during my visit would deepen mutual understanding and develop extensive possibilities for amicable cooperation between our two countries in all fields, including that between our legislative bodies.

In my statement at the dinner I referred to the remarkable progress that has been made in U.S.-China relations and

said, "I am proud that the Congress has been centrally involved in fostering stronger economic, political, and cultural ties with China."

I said, "My visit here symbolizes the breadth and continuity underlying the growth of close U.S.-China ties. The United States has an interest in a strong, secure, peaceful, and modernizing China. The Legislative Branch of our Government has demonstrated on several occasions its support for normalization and for greater cooperation with China in many fields."

I expressed my hope that my visit would enable me to explore various means to strengthen further our cooperation, to gain a better appreciation of Chinese concerns and priorities, and to understand better how Congress can best contribute to the building of a strong and lasting friendship between the United States and China.

Meeting with Vice Premier Zhao Ziyang

On July 8, I met with Vice Premier Zhao Ziyang, widely regarded as about to assume top Chinese leadership responsibilities. Other than U.S. Ambassador Leonard Woodcock, I was the first American official to meet with him. Mr. Zhao in his introductory remarks noted that I had discussed international relations and Chinese foreign policy with Premier Hua the previous day, and said that his remarks would concentrate on China's domestic and economic policies. The meeting lasted more than two hours.

Vice Premier Zhao said that it had been one year since China had put forward the policy of consolidating, restructuring, and readjusting its economy. The new transformation could be summarized as emancipation of the mind and more lively economic policies. The transformation is still in the initial stages and China's leaders will continue it. The goal is to unify the socialist system with the commodity economy and to integrate planning with the use of markets. There are three principles: that the means of production be publicly owned, thus showing the superiority of the socialist system; secondly, from each according to his ability, to each according to his work (rather than "to each according to his need." -- as formerly); and thirdly, that the economy be guided by state planning, but with flexibility in planning. With these premises, Mr. Zhao said that China could adopt Western methods of organizing production. Some of China's friends were concerned about China's ability to carry out these principles and some believed there were forces opposing the transformation, but this is not the case. Because the transformation was new, China would develop it through experimentation, constant study, and research. The point is to solve China's problems. There have been great changes in the past year and a half. If some doubted the transformation at the start, there were fewer and fewer of them now.

Vice Premier Zhao described China's goal of achieving modernization by the year 2000. He noted that Assistant Secretary of State Richard Holbrooke (who was present during this meeting) had said in a recent speech that by the year 2000 China would reach the level of the United States in the late 1970's. But China's goal is not so great. China's estimation is that by the beginning of the next century it might reach the level of the United States in the early 1970's, or close to the early 1970's. But based on the experiences of the past 30 years, China's leaders know that, with a large population and weak economic base, it would be very difficult to solve the problem of consumption and accumulation. China could not concentrate too much effort and try to speed up development too much by accumulation. Longing for high-speed development without giving thought to improving the livelihood of the people would not bring about good results but would rather bring disproportion into the economy. China hopes for sustained, stable development -- even if the growth rate is only at a "medium" level. The growth rate might be just a little lower than the seven or eight percent per year mentioned by Mr. Holbrooke in his speech.

Mr. Zhao addressed the problem of bureaucracy, which has also been a matter of concern to many of China's friends. China does have both overlap and low efficiency in its enterprises, and some of them have moved very slowly. But this

can be changed; it is not inherent. It is not the result of the workers' attitude, but rather of the economic structure. There has been too much concentration of power. China had attached too much importance to administrative measures rather than economic measures. In the past there was a policy of direct interference in enterprises, and they were left with no power of their own. The enterprises were unable to solve their production problems in an independent manner. China has a vast area with poor communications and transportation. Only through transformation in the management structure and in economic policy can there be a change to give more authority to enterprises as the basic units, and to allow the market to play a greater role. In the future, China's economic planning should be flexible and should reflect only the main lines of policy. It should be macro instead of micro, and it should not be drawn up in a detailed and minute way.

Agriculture

The Vice Premier offered a number of descriptions of China's recent economic development. On the whole, efforts to consolidate, restructure, and readjust the economy over the past year and a half had been "fine," and "good results" had been achieved. Agricultural production had taken a turn for the better. Supplies of daily necessities had made remarkable progress. Over the past 30 years, pig breeding had

been the indicator showing the development of agricultural production, and a good performance here meant that things were going well. If a household can raise three pigs, it means that great changes have taken place, and the income from pig breeding will equal the income from farming. At present, there are too many pigs on the market. Agricultural products are in good supply in village market-places.

In managing agriculture, China had recently raised the official purchase prices for agricultural products by a large margin and had increased the decision-making power of production teams in the countryside. The new methods conferred greater responsibility to the local level and in some cases one plot of land is the responsibility of a small production group under the production team. There are more private plots and village marketplaces. The individual has room for greater initiative, and this has brought the enthusiasm of farmers into full play, with very good results.

Industry

In industry, Vice Premier Zhao said, enterprises also enjoy more autonomy. The main point is to recognize that each enterprise has its own interests. The Government has to look after those interests and, accordingly, enterprises have

certain rights in determining production quotas, in planning and in marketing. In the past China's industry was based on the Russian style -- the style of the Stalinist era. Formerly, an enterprise, even a large one, was totally under the control of the state administration, with all income going to the state. The state had also been responsible for purchasing and for product marketing. So, the enterprise was always in a passive position. Since introducing the transformation last year, workers have increased their enthusiasm for production and also for management. There is still great potential for further growth in this regard. Provinces have been given more authority to determine production and management, and this means that the state will share profits with the provinces. Of course, each province has its own conditions, and, therefore, the profit sharing will be in varying proportions.

Mr. Zhao said that China had introduced an economy regulated more by the market and not so much by state planning, in that an enterprise can now sell part of its production to the state and part to the market. In the past, enterprises sold all products to the state. It was thought that the means of production were not commodities and thus could not be sold in markets, but things have changed in this area as well. For example, steel and other raw materials can now be sold in markets, and enterprises may, in certain circumstances, engage in price bargaining.

Vice Premier Zhao noted that light industry has also made significant progress during the past two years. The production growth rate of light industry has surpassed that of heavy industry, which, compared with the past, was very rare.

Energy

In describing China's energy situation, Vice Premier Zhao said that China had rich resources but tight supplies. There is an energy crisis in terms of supply, but there are large coal and hydroelectric power resources. Geological surveys have estimated coal resources at 600 billion tons. Hydroelectric potential is estimated at 600 million kilowatts. So far, China has exploited approximately three percent of its hydroelectric resources. The Northwest and Southwest -- for example, south of the Changjiang (Yangtze) River -- are regions of significant potential which could generate hundreds of kilowatts very easily. There are prospects for cooperation in exploiting China's hydroelectric potential. The United States has sent a delegation to do survey work on hydro resources. China is short on infrastructure such as communications and electricity for developing industry and the rest of the modernization program. To speed up modernization, China has to strengthen its infrastructure, particularly electricity,

transportation, and ports. China could enter into cooperation in these fields. The country has two great advantages: rich manpower and natural resources. The main difficulties are lack of capital and modern technology and a bureaucracy determined by the economic structure.

The Effects of Transformation

Mr. Zhao expressed his view that good results had been achieved thus far in the economic transformation. Both workers and peasants have increased their income: last year, each worker received a bonus equal to roughly two months salary; and farmers' income has risen by 11 percent. In urban areas, the "problem of employment has been solved" for nearly nine million people. China had never before built so many apartments for city dwellers. Energy production has increased by only three percent in the past year, but industrial development has been up by eight percent. There is an estimate of a 1.1 percent increase in energy at the end of 1980 and about a seven to eight percent increase in industry. There had normally been a greater growth in energy than in industry, but "we changed that," and the rectification marked an important success. It also shows that there used to be great waste in energy consumption.

United States-Chinese Cooperation

Vice Premier Zhao informed me that he believed that, in Sino-American cooperation, each side should try to make up for the other side's deficiencies. In problems existing in trade and technological cooperation, we should deal with them with a long-term perspective. Our cooperation should be seen from the strategic perspective. Our two countries share the common interests of "undermining hegemonist aggression in international affairs." We also share a common interest in economic affairs. The U.S. and China should cooperate with each other on a long-term basis in the economic field as well. The labor power, resources, and markets of China are of great significance to the U.S. economy. Certainly China needs capital and technology from the U.S. As China permits the Chinese market and the economy to develop gradually, then Chinese markets can absorb more American commodities. Some American friends were doubtful about Sino-American economic cooperation because our trade volume is not that great and cooperation between the two sides in certain fields is not as smooth as it might be. This is only a temporary phenomenon. We should look ahead and see the prospects for further expansion in our economic relations. If China is to introduce American technology and American capital, China must consider its ability to pay. China must pay

with its own commodities. At the same time, China's American friends should help China sell its commodities so as to enable China to introduce more U.S. capital and technology. China has set its policy to enter international markets and to strengthen economic relations with foreign countries. It will continue to carry out this policy; there will be no change.

Party-State Relations

I asked the Vice Premier what the interplay would be between both the National People's Congress and the recreated Party Secretariat and the State Council in formulating and carrying out economic plans. Mr. Zhao said that the Party Secretariat is the front line working organization directly under the leadership of the Politburo of the Central Committee of the Chinese Communist Party. By setting up the Secretariat, China would be able to allow the older members of the Politburo to put more emphasis on important work. The Secretariat is in charge of the day-to-day business of the Party Politburo. The relationship between the Secretariat and the Politburo is the relationship between the first front line and the second line. The relationship between the Secretariat and the State Council is similar to the relationship between the Central Committee and the State Council. In the State Council, discussions will be carried out on matters concerning

the economy and administration. But regarding the basic plans and directives, the State Council always works under the leadership of the Central Committee as well as the Party Secretariat. The relationship between the Secretariat and the State Council is the relationship between the Party and the Government. The relationship between the National People's Congress and the State Council is that between the Executive and the organ of supreme state power.

Arms Sales to Taiwan

Vice Premier Zhao told me that normalization of relations between China and the United States has developed satisfactorily on the whole. But China disagrees with the continued American arms sales to Taiwan. The Chinese people feel strongly about these arms sales. Last year the United States temporarily suspended new sales of weapons to Taiwan. But starting in January, 1980, the U.S. announced plans for new sales. He noted that the U.S. Government also approved the sale of \$280 million worth of arms to Taiwan. He expressed great concern about the possibility that the U.S. would sell the advanced FX medium-range fighter plane to Taiwan. This, he said, absolutely runs counter to the principle of the communique normalizing relations between China and the United States. Such a sale would only add more

difficulties to the reunification of Taiwan and China. It would also be detrimental to the stability of Asia and the Pacific region. Zhao said that this would also be against all aspirations of the Chinese people and was not in conformity with the strategic interests of the U.S. China, therefore, could not help but make a public reaction. The Chinese leadership has repeatedly stated that the Taiwan problem should be viewed in strategic and long-term perspective, Mr. Zhao said. It should be viewed in terms of the "strategic interests of both countries in opposing the Soviet hegemonists." If the United States should continue to put up obstacles to "the returning of Taiwan to its motherland", no one can say what will happen in Taiwan in the future. The Soviet Union has its own calculation. China has stated on several occasions that in handling the problem of Taiwan, the U.S. Congress should not do anything which is "inimical to the development of Sino-U.S. relations or inimical to the return of Taiwan to the motherland."

In response to Vice Premier Zhao's statement regarding Taiwan, I told him that the United States has not approved the sale of the FX plane to Taiwan. Moreover, there is no certainty that the FX will be manufactured. Any future prospective sales of the FX would be carefully studied by the Congress. I said that I was sure that the Administration had not determin-

ed whether it would even propose such a sale to the Congress, which has the opportunity and the duty under the law to study such sales, and, if it so decides, to reject them. I stated that I would convey to President Carter the concern Mr. Zhao expressed about the proposed sale of the FX to Taiwan.

Additional Meetings and Visits

During my stay, I met and talked with a number of other Chinese officials in Beijing and elsewhere. I had an extended discussion with Foreign Minister Huang Hua at a dinner in the Great Hall of the People on July 9. The Foreign Minister expressed great concern about developments in the Middle East, and emphasized the importance that China attaches to a stable Middle East.

I also talked with Vice Foreign Minister Chang Wenjin, and Han Xu, Director of the Department of North American and Oceanian Affairs of the Foreign Ministry. The Chinese Ambassador to the U.S., Chai Zemin, was also present for several of the meetings. Jo Chaozho, Deputy Director of the Department of North American and Oceanian Affairs, and Li Ruihan, member of the Standing Committee of the NPC, accompanied me throughout my stay in China.

Vice Premier Deng Xiaoping, with whom I met in Beijing in 1975 and in Washington in 1979, was away from Beijing but sent

his greetings.

Evergreen Commune

Among the most interesting and telling experiences of my trip was a visit to the Evergreen People's Commune, near Beijing. I was able to make a comparison between this visit and another commune I had visited in 1975, and I found a considerable contrast.

The commune is composed of more than 1,000 households, with a population of 4,300. The commune concentrates on growing vegetables and fruits, and raising ducks and pigs. Most of the land is irrigated, and the level of mechanized labor has increased considerably, although there is still a large amount of hand work.

Leaders of the commune told me that they have been able to improve considerably the livelihood of the commune residents in recent years. Last year's per capita income was about \$368, or \$730 per worker.

A new and significant development was the fact that each household is allowed a private plot for its own use. The residents of the household can use what they produce in these plots as they please -- for their own use or for sale.

The commune leaders said that compared with the U.S., they are lagging far behind in agricultural technology, but they are determined to improve production and want to learn

from the U.S.

This represented a remarkable change from the attitudes I encountered in 1975, when there was a heavy emphasis on ideological rhetoric and a very narrow approach to managing the commune. I was greatly impressed with the realistic and practical efforts being undertaken by the commune members.

Hospitals and Medical Care

I visited two hospitals in Beijing, the Capital Hospital and the Xuanwu Hospital, and talked with the medical staffs of these two facilities.

A highlight of these visits was the opportunity to observe from within the operating rooms, three patients undergo brain surgery -- for removal of tumors -- with the aid of acupuncture. The acupuncture was used rather than an anesthesia, and the patients remained conscious during the operations. One of the patients shook hands with me while the operation was underway.

Satellite-Launching Facility

I traveled to a (rocket) satellite-launching facility in northwest China in the Gansu-Inner Mongolia area, and was the first foreign official to visit this site, located on a large military reservation in a sparsely-populated desert region.

I went by Chinese Air Force plane to a point near Jiuquan and then by train and car to the launching area. The acting base commander and other officials briefed me on the capabilities of the facility.

I was given a tour of the launching site, the underground control room, the ground telemetry station, and was shown the computer and mobile telemetry station facilities. We discussed military and technological application of the facilities. The Chinese expressed considerable interest in developing cooperation with the U.S. in the U.S. in the scientific and technological areas related to space and aeronautics.

Other Areas of China

I also traveled to the Chinese cities of Hangzhou, Kunming, and Guangzhou (Canton) for brief visits. During these stops I had the opportunity to meet with local and regional officials.

Of particular interest was my visit to Kunming, where I was received by Chairman An Pinshen of the Yunnan Provincial People's Congress. As I had done five years earlier, I traveled south of Kunming and was able to observe activities in the rural areas and villages. This is a heavily agricultural region, with intensive rice production. The

industriousness and energy that were so evident among the Chinese leaders was equally evident among those working in the fields.

It was on this trip through Yunnan Province that I visited several bustling village markets, where large numbers of residents of the area were selling their produce and wares. The surrounding roads were jammed with people traveling to and from the market. This typifies a significant new trend in China and was unlike anything I had seen during my 1975 visit.

Summary

The positive evolution of United States-China relations in recent years is a highly encouraging development at a troubled time on the international scene. It would be short-sighted and irresponsible -- clearly contrary to U.S. interests -- to attempt to turn back the clock in our relations with the PRC, as some have suggested. To alter the relationship between the U.S. and China would undermine the remarkable progress we have made and would be a highly consequential blunder, jeopardizing the interests of the United States, China, Taiwan, and the entire Asian and Pacific region.

China is making significant changes in direction in its economic planning and policies. It looks increasingly to the West and to Japan for assistance and as models for development,

and is moving further and further away from the old Soviet model.

The Chinese leaders I met expressed no interest in building a military alliance with the U.S. However, they believe, as I do, that there are a number of areas where U.S. and Chinese foreign policy interests coincide.

The Chinese are eager to increase commerce with the U.S., other Western nations, and Japan, and I strongly favor the growing economic relations between our nations, and believe this can provide a solid basis for a long-term cooperative relationship between the U.S. and China. U.S. businesses should be encouraged to develop trade and cooperation with China, and China should be encouraged to develop exports which would not be harmful to Western economies, but which would help China earn hard currency.

I believe that the U.S. has a real stake in helping China to strengthen its economy and in the success of China's Four Modernizations program. A strong, secure, peaceful, and modernizing China is vital to stability in the Asian-Pacific area. China's leaders recognize the essential importance of developing a sound economic base.

I am strongly convinced that the U.S. should continue the course of steady, gradual growth in our relations with China -- a course that has been charted by two Republican Administrations and one Democratic Administration, with strong congressional backing. This carefully constructed, growing relationship with China should be a cornerstone of American foreign policy in the years ahead.

THE WHITE HOUSE
WASHINGTON

23 Jul 80

Stu Eizenstat

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

Rick Hutcheson

Please notify appropriat
offices.

THE WHITE HOUSE

WASHINGTON

July 22, 1980

MEMORANDUM FOR: THE PRESIDENT

FROM: STU EIZENSTAT
LYNN DAFT

SUBJECT: Farm Policy

About two weeks ago you met with several of your senior advisers to review economic conditions in the farm sector. At that meeting, USDA briefly outlined a number of actions that could be taken to help moderate the decline in net farm income now facing farmers. At the conclusion of the meeting, you asked us to develop a proposal for your consideration. The results of our work, which include a combination of administrative and legislative proposals, are described below.

Since close cooperation with the Congressional leadership will be required in our handling of this issue, we are recommending that during your meeting with Senator Talmadge and Congressman Foley you discuss a common strategy. We further recommend that you defer making a decision on this package until you have had the benefit of this conversation.

Background

For the past several months there has been a growing consensus among farm state Congressmen, your farm policy advisers, and farm people that some action is required to improve economic prospects for the farm sector. Many Democratic members of Congress have been urging the Administration to "act boldly" to ensure against any possibility of an economic collapse in rural America and to erase the growing perception that we are either unaware or insensitive to the problems farmers now face. Grain producers have been fearful that product prices would fail to rise enough to cover sharply higher bills for fuel, fertilizer, interest and other purchased inputs. (USDA estimates of the change in production costs between 1978 and 1980 are attached at Tab A.)

Although farm constituency perceptions are not always in conformance with the facts, it is clear to us that support for the Administration's farm policy has been seriously eroded by lower than anticipated commodity prices this spring and by reports that 1980 net farm income will decline

sharply (20 to 30 percent) from last year's relatively high level. As you know, most of the year-to-year decline so far has been to meat and egg producers but the suspension of grain sales to the Soviet Union is being blamed (unfairly) for much of the decline.

Some of the earlier arguments for taking action have been overtaken by events. In recent weeks livestock and grain prices have strengthened markedly (Tab B). Although many believe the current drought has precipitated the rise in grain prices, other more fundamental factors are also at work. Hog producers have adjusted production so that prices are more in line with costs and beef output is still at a very low level. The actions we took following the Soviet sales suspension are now taking hold. Free stocks of corn, for example, are at a very low level. In response to last year's prices, farmers cut back on soybean and sunflower acreage, and increased corn, wheat, and cotton plantings. As noted above, the hot, dry weather has also had a price effect. Unless we get rain and cooling weather soon, corn, cotton, soybean and spring wheat yields will be lower and prices higher than earlier expected.

The major constraint to making changes in our farm program is the current budgetary situation. To make modest administrative changes in the basic programs will add about \$400 million to outlays, more than half of it coming in FY 1981. Enactment of the proposed legislative changes could add an additional \$600 million. However, recent re-estimates of the CCC budget would make it possible for us to more than absorb the cost of the proposed administrative actions in the mid-session review estimate. In fact, the USDA believes they will be able to absorb \$200 to \$500 million of the cost of the proposed legislative change as well.

There are several strong arguments for making policy adjustments -- some economic, some political.

Net farm income will be down sharply in 1980. Net farm income was 25 percent lower in the first half of 1980 than in the comparable period last year. The dramatic increases in crop production costs this year, when coupled with reduced yields, make current wheat, soybean and feed grain loan rates low relative to past levels of support. This is particularly true for wheat. The current \$2.50 loan does not cover current variable production expenses for the average producer.

Both the Senate and House Agriculture Committees have reported bills that require the Secretary of Agriculture to provide special wheat and feed grain loan rates for grain placed in the farmer-owned reserve. Regardless of what we do, it is very likely that the Congress will approve a version of that legislation yet this summer. While your advisers agreed some months ago to support the concept of higher loans for grain entering the reserve, budgetary considerations have thus far precluded our taking a position on the legislation now pending in the Congress.

Although claims that the Soviet suspension is responsible for most of the current farm economic problems are greatly exaggerated, as noted above, the costs associated with the suspension have not been fully transferred to the general taxpayer. Instead, by isolating the grain in reserve and in CCC hands, we have temporarily deferred the price depressing effect. Thus, some assurance that we will not allow the stocks accumulated as a result of the suspension to serve as a market depressant in the months ahead is badly needed. Although higher loan rates and higher reserve trigger levels would not entirely still criticism of the Soviet suspension, we believe it would go a long way toward doing so. It is worth recalling that you committed to attempt to hold the farmers harmless from the impact of the grain embargo.

A final reason for acting now is related to the current weather situation and the crop outlook. As noted above, crop prices have risen in recent weeks, partly in anticipation of significant weather-reduced crop yields. Farmer-owned reserves of all grains are now in release status. The likelihood of a smaller crop this year adds to the urgency of updating the operating rules of the reserve, especially for corn. Absent these adjustments, year-end corn stocks are forecast to be at the low end of our preferred levels. Such a stock drawdown would leave us vulnerable to even higher prices in 1981/82. The case for changing the wheat reserve program is slightly less compelling, but there are still good reasons to do so. A record large 1980 winter wheat crop has just been harvested. Year-end stocks will be near desired levels, regardless of our policy actions. Strengthening the wheat reserve will, however, cause more of these stocks to remain in farmers hands, boost prices slightly, and provide somewhat more cushion as we enter another uncertain crop production year.

Points of Agreement

Following our earlier meeting with you, your advisers sought to narrow the issues and shape a proposal that all could support. They came to general agreement on the following points:

- o The Administration should act soon. The longer we wait, the more likely our actions will appear to be reactive or politically motivated.
- o Some increase in the wheat and feed grain basic loan rates would be desirable, mainly because doing so would automatically increase reserve release and call prices to levels more in line with the sharply higher costs of production. Modest increases for the 1980 crops would be consistent with our overall farm policy and would be defensible on economic policy grounds.
- o Some adjustments should be made in the price levels at which grain moves out of the farmer-owned grain reserve. Adjusting loan rates automatically adjusts the reserve release and call trigger prices as our agreements with producers permit release without penalty when wheat and corn prices reach 150 and 125 percent, respectively, of the current loan rate, and requires them to repay the loan when farm prices reach 185 and 145 percent of the loan rate.
- o As noted above, your advisers agree in principle that we should provide higher loan rates for grain entered in the farmer-owned reserve. They agree that such flexibility would strengthen the farmer-owned reserve by providing an additional incentive for its use. Since loan outlays are eventually recoverable, they are preferred over other incentives, such as interest waivers which are not recoverable. But we are not now able to provide such loans. Obtaining the authority to do so this year depends on passage of the legislation now pending in Congress.

A Proposal

The agreed upon proposal has three major components. It requires a combination of both administrative action and support for a modified version of the legislation now before the Congress.

1. Administratively increase the wheat and feed grain basic loan rates. The current loan rates are \$2.10 and \$2.50 per bushel respectively for corn and wheat. We propose to increase these loan rates to \$2.25 and \$2.80. These increases are consistent with current Administration policy and would reflect an appropriate adjustment in reserve release and call prices for the higher costs of producing crops in 1980.

Politically, an increase in the basic loan rates would be very well received, provided it is of such magnitude as to be considered significant. Increased loan rates continue to lead the list of policy actions most sought after by farmers. Increasing loan rates will not directly raise grain prices appreciably but increasing reserve release and call levels will, if farmers use the reserve. Furthermore, as an action that can be taken administratively, it can be done quickly and would demonstrate Administration responsiveness.

2. Increase the grain reserve release and call prices. The grain reserve release and call levels are critical to the successful implementation of our reserve strategy. As you know, farmers may sell grain from the reserve only when prices reach the release level. They must repay their Commodity Credit Corporation loans when prices reach the "call" levels.

The corn reserve release and call prices are currently set at 125 and 145 percent of the loan rate. If the basic loan for corn is increased to \$2.25, as your advisers propose, the new release and call prices would be \$2.81 and \$3.26 per bushel, respectively. These higher levels would enable corn producers using the reserve to sell their 1980 crop corn at prices that would cover full cost of production for most producers.

The wheat reserve release and call prices are currently set at 150 and 185 percent of the loan rate. If the basic loan for wheat is increased to \$2.80 per bushel, as proposed, the new release and call levels would be \$4.20 and \$5.18. These release and call prices are not quite as favorable relative to costs as the ones we propose for corn. However, given the budgetary consequences of a higher release (fewer loans would be repaid), the fact that a good winter wheat crop is now being harvested, and in the interest of program simplicity (retaining the current percentages) your advisers compromised at the \$4.20 and \$5.18 levels.

3. Support Congressional passage of authority to provide higher loans for farmers using the reserve. The viability of our reserve policy depends, over the long run, on its regular use by farmers. Farmers must have sufficient incentive to put grain into the reserve or they will not give up their right to sell the grain within the marketing year. Currently, when farmers place grain in reserve, they receive the basic CCC loan and a storage payment. They pay no interest on the CCC loan beyond the first year.

In the past, these incentives have been adequate, at least for feed grains. But market prices and costs of production have increased relative to the basic CCC loan rate, particularly for wheat. Wheat farmers are now less willing, perhaps financially unable, to give up sales receipts at current prices in return for a CCC loan some 30 percent lower. For a farmer to place his grain in reserve, the loan must be high enough to keep the production unit solvent until sales can be made at the release price or higher.

Getting farmers to use the reserve is in the longer term best interest of both producers and consumers. When crops are large relative to current market needs, grain flows into the reserve and helps support farm prices. When crops are small, prices rise and the reserve grain becomes available for current use.

The bills now being considered by Congress would require us to make higher loans for grain entering the reserve this year. The minimum loan for corn entering the reserve would be \$2.25 (Senate bill) or \$2.40 (House bill). The minimum wheat loan would be \$3.30 (both bills).

There is little in current information or in past experience to tell us how large these special loans need to be relative to basic loans to better manage the reserve. In principle, we should establish reserve loan rates (in combination with the other reserve features) at levels high enough to ensure that reserve storage targets are met. There is general agreement among your advisers that a reserve loan of \$2.40 for corn and \$3.30 for wheat would be adequate to attract the needed grain into the reserve and do so without creating a farm policy problem or adding unnecessarily to budget outlays or consumer costs. The total costs of producing corn and wheat will be around \$3.00 and \$5.00 respectively for 1980 (land costed at average renter cost). Secretary Bergland believes the special loan for wheat should be \$3.50. He believes that the current weather market conditions and a market price of about \$3.80 will keep producers from using the reserve unless the special loan is at the \$3.50 level. The 1979 wheat crop sold for \$3.82 a bushel, and today, even in the face of all the bad weather news is only \$3.80 a bushel. (Wheat production will be record high even though spring wheat in the Northern Plains has been hurt. Also, it should be noted, the \$3.80 is a harvest price while the \$3.82 is a season average price.) In the meantime, costs have risen so much that it would take a \$4.80 price for wheat producers to be as well off this year. Secretary Bergland believes that letting this wheat be sold

at a below cost price is not good policy and that we should do what we can to keep this from happening. Offering a \$3.50 reserve loan for wheat would add about \$80 million to the two year cost of this package.

The bills now before the Congress also contain two other features that relate to the operation of the farmer-owned reserve. Your advisers believe these features should be deleted for a combination of policy and budgetary reasons. They are:

- Reserve Loan Interest Waiver. The Senate bill would require the Secretary of Agriculture to waive the first year interest charge normally required of commodity loans for grain entering the reserve. Your advisers agree that this provision adds little to overall program effectiveness but adds unnecessary expense. To the farmer, the interest waiver represents a foregone cost at some later date. It does not put money in his pocket. The USDA points out that supporting a \$2.40 special corn loan (15 cents above the Senate bill) will help offset the interest waiver.
- Mandated Reserve Release and Call Prices. The House bill would specify minimum reserve release prices. Your advisers agree that we should strongly oppose on principle, all Congressional attempts to legislate specific release prices. The more attractive it becomes to place grain in reserve, the more likely it is that the release price will become the effective government support price. If the release price gets "too high", grain consumption will be discouraged and surpluses will accumulate as they did in the 1960's -- only this time they will be owned by farmers and not CCC. Furthermore, it is very important that the release and call levels continue to be closely geared to production costs and that we maintain the administrative flexibility to do so.

Budgetary Constraints

Making any meaningful adjustments in our farm programs now will add to both FY 1980 and FY 1981 budget outlays. The administrative actions your advisers are proposing add approximately \$450 million to the two year budget totals (Tab C). More than half will occur in FY 1981. The added cost of the special reserve loan legislation would be nearly \$600 million, assuming we are successful in eliminating the two objectionable features and that the Congress does not further modify the proposed loan levels.

The current estimate shows outlays for all price support and related programs have increased \$440 million for FY 1980 and declined \$175 million for FY 1981 from the revised March budget. The estimates for both years have fallen since the mid-session-review -- by \$324 million for FY 1980 and \$165 million for FY 1981. The recent decline in outlay estimates is mainly the consequence of higher farm prices for grains and oilseeds and is associated with lower production prospects due to the weather. Higher farm prices means fewer loans made.

Lower than expected outlays for the programs designed to offset the impact of the suspension of shipments to the USSR also account for a significant share of the reduction in outlays from the revised March budget for all CCC financed programs other than dairy. As you know, we earmarked \$2.8 billion for the offset package. Now that farm prices have moved up enough to release grain in the farmer-owned reserves, and have reached or exceeded the levels that would have prevailed in the absence of the suspension, it is clear that we will not spend the full \$2.8 billion. Net outlays for the two fiscal years are now expected to be between \$2.2 and \$2.3 billion. Wheat and corn purchases total \$964 million, losses on contract transactions (including rollover charges) will be around \$550 million, and around \$700 million has gone to farmers who placed grain in reserve.

The current estimate is based on production prospects around the 1st of July. Since then, weather patterns have been unfavorable -- rainfall below normal and temperatures above normal for a major production area. The odds, therefore, favor even lower budget outlays. Thus, it is almost certain that the administrative changes your advisers are proposing would not require any upward adjustment in the March budget estimate for CCC price support and related costs. However, given the current weather conditions, CCC budget estimates for 1981 must be considered tentative at best.

Since the proposed legislative changes were not initiated by the Administration, their cost does not need to be reflected in amendments to your March budget. This will be a matter for Senator Talmadge and Congressman Foley to work out with their respective budget committees. It should be noted that making the administrative changes we are proposing makes it easier for them to solve their budget problem since the cost of their proposal is reduced as a result of our administrative actions.

For the most part, the outlays associated with these actions are recoverable. The major nonrecoverable costs are those associated with the payment for storage costs and the waiver of interest payments for the second and third years of the grain reserve loans.

When we discussed this issue with you earlier, Secretary Bergland noted that we might be able to realize significant budget savings through legislative amendments to the dairy program. Since March, budget estimates for the dairy program have risen by \$531 million for FY 1980 and \$389 million for FY 1981. Your advisers have concluded that the dairy program issue should be considered apart from the issue presented in this memorandum. A separate decision memorandum on dairy is now being prepared.

Recommendation

The combination of actions being recommended here could be modified in a number of ways. Some of your advisers considered recommending slightly lower levels of support, largely out of concern for the inflation and budget effects. Other of your advisers leaned toward higher levels of support, given the sensitivity of downward pressure on farm income. Yet, all have concluded that their points of agreement far exceed their differences. As a result, they have agreed that the actions described above strike a reasonable balance among competing economic, budgetary, and political objectives.

Even so, CEA and OMB continue to believe that the major purposes of the proposed actions could largely be accomplished with lower special reserve loans than the \$2.40 and \$3.30 being proposed. Lower special loans, they point out, would reduce the budget outlays, by perhaps \$100 million and reduce the potential consumer costs of these actions by a comparable amount. There is some room for you to alter the special loan for corn. The Senate bill provides for a \$2.25 special loan; the House bill contains the \$2.40. Both bills would require a wheat special loan of \$3.30. While both CEA and OMB support the recommended program, they consider it to be the maximum you should support in your discussion with Senator Talmadge and Congressman Foley. They believe that the budgetary and potential consumer cost implications make it imperative that the Administration not support legislative modifications that increase costs beyond the levels of the recommended program.

In summary, your advisers recommend a package that includes:

- Increasing the basic corn loan from \$2.10 to \$2.25;
- Increasing the corn reserve release and call levels from \$2.63 and \$3.05 to \$2.81 and \$3.26;
- Increasing the basic wheat loan from \$2.50 to \$2.80;
- Increasing the wheat reserve release and call levels from \$3.75 and \$4.63 to \$4.20 and \$5.18;

- Supporting legislation to provide higher special reserve loans of \$2.40 and \$3.30 for corn and wheat perspectivevely; and
- Opposing legislation that would mandate an interest waiver for grain in reserve and specific reserve call levels.

As noted at the outset, we believe you should discuss this with Chairmen Talmadge and Foley before making your decision.

DECISION

- Approve (USDA, CEA, OMB, Treasury, Vice President, DPS)
- Disapprove

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TABLE 1 -- MAJOR CROPS: SUMMARY OF U.S. AVERAGE PRODUCTION COSTS PER PLANTED ACRE AND PER UNIT, 1978-80

Cost item	Cotton (pounds)			Corn (bushels)			Sorghum (bushels)			Barley (bushels)		
	1978 (final)	1979(pre- liminary)	1980(pro- jected)	1978 (final)	1979(pre- liminary)	1980(pro- jected)	1978 (final)	1979(pre- liminary)	1980(pro- jected)	1978 (final)	1979(pre- liminary)	1980 (Pro- jected)
Per planted acre:												
Variable	\$172.03	\$200.26	\$231.69	\$97.79	\$111.89	\$139.00	\$51.87	\$64.08	\$80.96	\$48.30	\$55.68	\$68.90
Machinery ownership	56.05	68.16	84.46	30.83	37.91	46.99	29.34	37.36	46.23	27.66	34.01	42.07
Overhead	8.38	9.27	10.51	7.18	7.92	8.98	6.69	7.37	8.36	7.95	8.89	10.08
Management	23.65	27.77	32.67	13.58	15.77	19.50	8.79	10.88	13.56	8.39	9.86	12.10
Total	260.11	305.46	359.33	149.38	173.49	214.47	96.69	119.69	149.11	92.30	108.44	133.15
Land:												
Current	54.61	69.55	75.42	86.34	107.38	123.47	36.22	46.24	49.70	52.50	65.72	80.47
Acquisition	37.90	47.14	46.87	48.97	58.89	61.61	23.92	30.15	29.15	26.35	31.36	36.75
Per unit:												
Variable	.441	.393	.467-.567	.97	1.03	1.30-1.52	.97	1.04	1.37-1.63	1.06	1.16	1.47-1.68
Machinery ownership	.144	.134	.170-.207	.31	.35	.44-.51	.55	.60	.78-.93	.60	.71	.90-1.03
Overhead	.021	.018	.021-.026	.07	.07	.08-.10	.13	.12	.14-.17	.17	.18	.22-.25
Management	.061	.054	.066-.080	.14	.14	.18-.21	.17	.18	.23-.28	.18	.21	.26-.30
Total	.667	.599	.724-.880	1.49	1.59	2.00-2.34	1.82	1.94	2.52-3.01	2.01	2.26	2.85-3.26
Value of byproducts	.093	.096	.089	NA	NA	NA	NA	NA	NA	.11	.11	.12
Land:												
Current	.140	.136	.167	.86	.98	1.24	.68	.75	.91	1.15	1.37	1.84
Acquisition	.097	.092	.104	.49	.54	.62	.45	.49	.54	.57	.65	.84
Average renter cost	.806	.720	.946	2.12	2.25	3.04	2.53	2.67	3.76	2.82	3.15	4.25
Yield	390	510	408.5-496.2	100.5	109.2	91.5-107.3	53.2	61.6	49.6-59.2	45.8	47.9	40.9-46.7

Continued --

TABLE 1 -- MAJOR CROPS: SUMMARY OF U.S. AVERAGE PRODUCTION COSTS PER PLANTED ACRE AND PER UNIT, 1978-80 -- Continued

Cost item	Oats (bushels)			Wheat (bushels)			Soybeans (bushels)		
	1978 (final)	1979(pre- liminary)	1980(pro- jected)	1978 (final)	1979(pre- liminary)	1980(pro- jected)	1978 (final)	1979(pre- liminary)	1980(pro- jected)
Per planted acre:									
Variable	\$37.15	\$42.64	\$51.94	\$37.14	\$44.97	\$55.20	\$56.53	\$64.09	\$ 77.38
Machinery ownership	22.39	26.75	33.10	23.26	28.15	34.76	26.03	31.57	38.99
Overhead	6.73	7.49	8.49	7.15	7.95	9.02	7.56	8.34	9.46
Management	6.63	7.69	9.35	6.75	8.11	9.95	9.01	10.40	12.58
Total	72.90	84.57	102.88	74.30	89.18	109.43	99.13	114.40	138.41
Land:									
Current	54.87	68.28	85.74	46.97	60.30	73.25	81.33	93.48	105.66
Acquisition	22.89	26.75	32.70	24.16	31.31	36.22	51.10	54.61	56.23
Per unit:									
Variable	.74	.83	.97-1.12	1.24	1.38	1.69-1.93	1.93	2.01	2.44-2.73
Machinery ownership	.45	.52	.62-.71	.78	.87	1.05-1.20	.89	.99	1.23-1.38
Overhead	.14	.15	.16-.18	.24	.24	.27-.31	.26	.26	.30-.33
Management	.13	.15	.17-.20	.22	.25	.30-.35	.31	.33	.40-.45
Total	1.46	1.65	1.92-2.21	2.48	2.74	3.31-3.79	3.39	3.59	4.37-4.89
Value of byproducts	.65	.64	.66	.13	.14	.15	NA	NA	NA
Land:									
Current	1.10	1.33	1.71	1.57	1.86	2.36	2.79	2.93	3.52
Acquisition	.46	.52	.65	.81	.96	1.17	1.75	1.71	1.87
Average renter cost	2.09	2.33	2.89	3.69	3.93	5.00	5.33	5.53	6.97
Yield	50.1	51.3	46.5-53.5	29.9	32.5	28.9-33.1	29.2	31.9	28.3-31.7

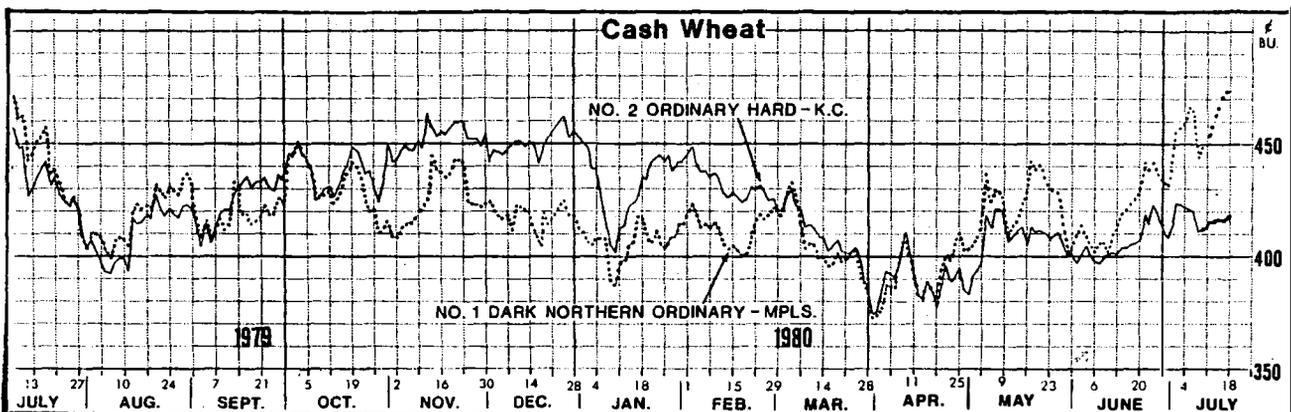
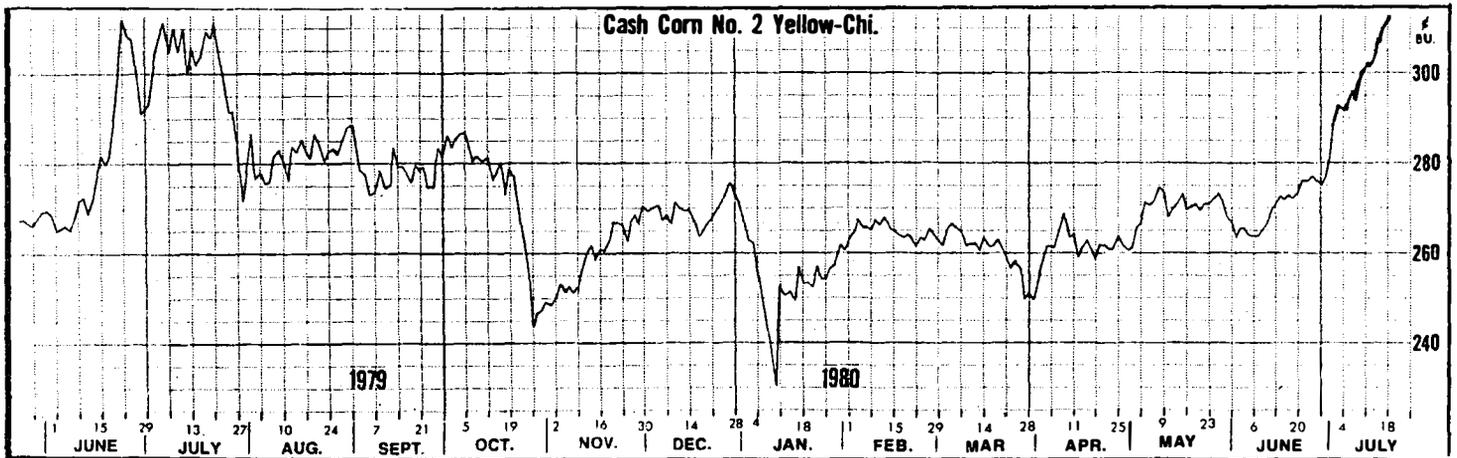
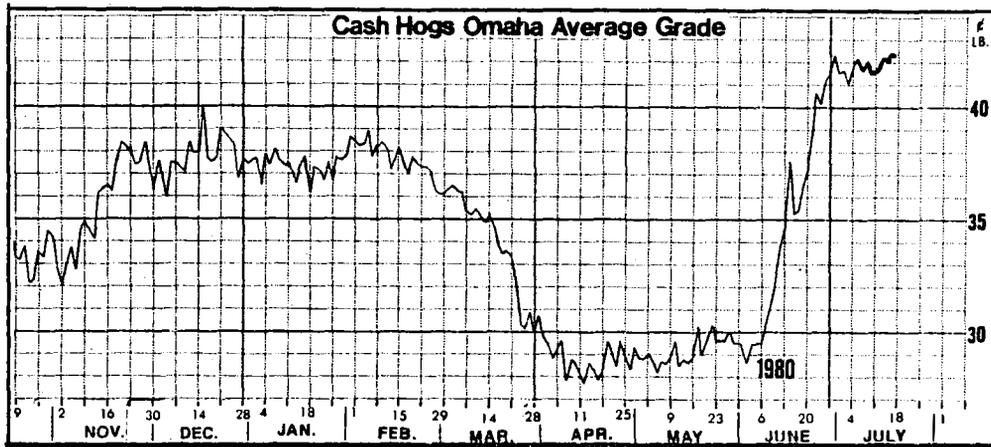
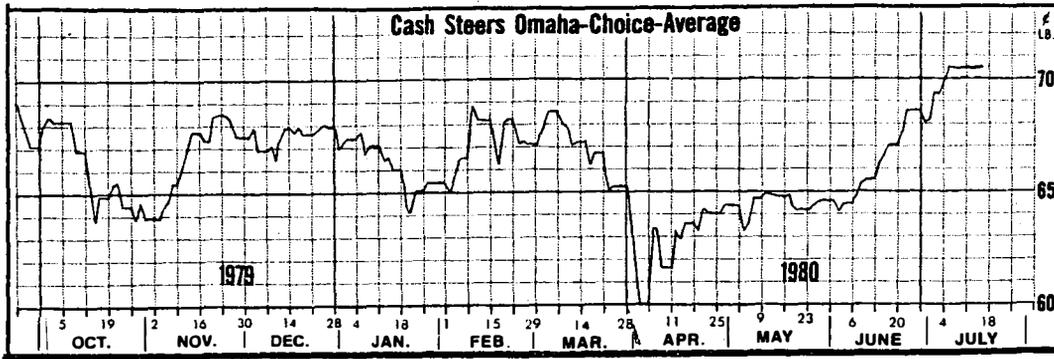
Continued --

TABLE 1 — MAJOR CROPS: SUMMARY OF U.S. AVERAGE PRODUCTION COSTS PER PLANTED ACRE AND PER UNIT, 1978-1980 -- Continued

Cost item	Flaxseed (bushels)			Peanuts (pounds)			Rice (cwt.)		
	1978 (final)	1979(pre- liminary)	1980(pro- jected)	1978 (final)	1979(pre- liminary)	1980(pro- jected)	1978 (final)	1979(pre- liminary)	1980(pro- jected)
Per planted acre:									
Variable	\$24.60	\$29.72	\$35.77	\$270.00	\$299.58	\$372.96	\$195.31	\$215.13	\$272.62
Machinery ownership	21.23	25.69	31.75	54.76	66.88	82.60	47.51	57.40	70.75
Overhead	6.16	6.81	7.72	17.52	19.48	22.09	9.45	10.71	12.15
Management	5.20	6.22	7.52	34.23	38.59	47.76	25.24	28.32	35.55
Total	57.19	68.44	82.76	376.51	424.53	525.41	277.61	311.56	391.07
Land:									
Current	32.12	38.08	44.89	104.67	114.00	121.03	73.98	96.33	102.75
Acquisition	16.04	17.99	19.28	93.81	100.56	103.88	58.67	74.69	75.52
Per unit:									
Variable	1.98	2.32	3.14-4.47	.104	.116	.139-.148	4.39	4.72	5.79-6.18
Machinery ownership	1.71	2.01	2.78-3.97	.021	.026	.031-.033	1.07	1.26	1.50-1.60
Overhead	.50	.53	.68-.96	.007	.007	.008-.009	.21	.24	.26-.28
Management	.42	.49	.66-.94	.013	.015	.018-.019	.57	.62	.75-.81
Total	4.61	5.35	7.26-10.34	.145	.164	.196-.209	6.24	6.84	8.30-8.87
Value of byproducts	NA	NA	NA	.005	.005	.005	NA	NA	NA
Land:									
Current	2.59	2.98	4.63	.040	.044	.047	1.35	2.12	2.25
Acquisition	1.29	1.41	1.99	.036	.039	.040	1.32	1.64	1.66
Average renter cost	6.58	7.55	11.99	.189	.216	.263	7.92	8.80	11.04
Yield	12.4	12.8	8.0-11.4	2,602	2,586	2,513.3-2,677.9	44.49	45.54	44.1-47.1

NA= not applicable

CHART 1



Commodity Credit Corporation
Budget Outlays, FY 1980 and FY 1981
(in millions of dollars)

	<u>FY 1980</u>	<u>FY 1981</u>	
President's March 13 budget	3,216	1,382	
Mid-session review estimate	3,980	1,382	
Most recent estimate ¹	3,656	1,217	
 <u>Proposed Administrative Actions</u>			<u>2-Year</u>
			<u>Total</u>
Corn loan (\$2.25)	+ 5	+165	+170
Wheat Loan (\$2.80)	<u>+146</u>	<u>+132</u>	<u>+278</u>
Total	+151	+297	+448
 <u>Proposed Legislative Actions</u>			
Corn reserve loan (\$2.40)	+ 6	+159	+165
Wheat reserve loan (\$3.30)	<u>+137</u>	<u>+275</u>	<u>+412</u>
Total	+143	+434	+577

¹This estimate is extremely tentative, given current market uncertainties. USDA is now preparing another estimate which we expect to be somewhat lower.

THE WHITE HOUSE
WASHINGTON

23 Jul 80

Arnie Miller

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

Rick Hutcheson

THE WHITE HOUSE

WASHINGTON

July 22, 1980

MEMORANDUM FOR: THE PRESIDENT
FROM: HARLEY FRANKEL HF
DEPUTY DIRECTOR
PRESIDENTIAL PERSONNEL OFFICE
SUBJECT: Presidential Appointment

Attached for your signature is the nomination document for Erich Leinsdorf, of Massachusetts, to be a Member of the National Council on the Arts for the term expiring September 3, 1986, vice George C. Seybolt, term expiring.

Mr. Leinsdorf is currently a Conductor.

All necessary checks have been completed.

You approved this appointment on April 15, 1980.

*In the future,
achieve geographical
balance*

J

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2:00 pm

C

THE WHITE HOUSE
WASHINGTON

MEETING WITH ARTHUR F. BURNS

Wednesday, July 23, 1980
2:00 p.m. (15 minutes)
The Oval Office

From: Stu Eizenstat *Stu*
Josh Gotbaum

**Electrostatic Copy Made
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I. PURPOSE

To inform you about the "Committee to Fight Inflation" that he has formed, and to urge you to support its recommendations.

II. BACKGROUND, PARTICIPANTS & PRESS PLAN

A. Background: Dr. Burns, former Chairman of the Federal Reserve, has formed a committee of former senior government officials to support a series of strict measures to control inflation. The members include several former Treasury Secretaries, Federal Reserve Chairmen, and senior members of Congressional Committees. (A full list is included as Attachment A.) The committee is bi-partisan, although most of its members hold conservative economic views.

Late in June, the Committee recommended a series of proposals, usually for Congressional, rather than Executive Branch, action. In most cases, they recommended slightly stronger (or apparently stronger) versions of policies the Administration is already following. Specifically, they proposed:

- A statutory requirement that the budget be balanced unless a deficit is authorized by a two-thirds vote in each house of Congress.
- De-indexing Social Security and other entitlement programs.
- A concurrent resolution of Congress endorsing restrictive monetary policies.
- An end to protective trade legislation and a gradual dismantling of price support laws, such as agricultural supports, Davis-Bacon, and the minimum wage.
- Regulatory reform.

- Scheduled reductions in business taxes in each of the next several years. Their proposal would provide only very modest relief in early years, to avoid renewed inflation. They do not specify what form of tax reduction they would support, except to say that they favor "productivity-enhancing capital investments."
- Other productivity-oriented measures, including larger outlays for R&D, better-targeted manpower training programs, productivity councils and other cooperative labor-management efforts.
- Rapid decontrol of oil prices, "and perhaps the addition of consumption taxes."

B. Participants: Arthur F. Burns and Henry H. "Joe" Fowler, former Secretary of the Treasury.

C. Press Plan: White House photographer only.

III. TALKING POINTS

(In general, the Committee's proposals do not represent a criticism, even implicitly, of the Administration's anti-inflation program, so the meeting might best be used to try to solicit Burns' help in opposing a tax bill this year.)

1. I am pleased that so distinguished a group has been formed to remind Congress and the American people of the need for continued action to fight inflation.
2. I have, of course, repeatedly stressed the importance of continuing this effort, even in the face of the current recession, despite the obvious political costs of doing so. I am sure you recognize that many of your recommendations are only very slightly different from policies I have already adopted.
3. In all of my public and private discussions of measures to enhance productivity and accelerate the recovery, I have been scrupulous in rejecting any proposal that would reignite inflationary expectations. I will continue to do so.
4. Unfortunately, there is some support in the Congress for tax or spending measures that are exorbitant and that would necessitate either enormous deficits or unattainable spending reductions. I have opposed such plans as being poor economic policy and political gimmickry.
5. I would appreciate your help in this effort. It is important that support for a carefully-targeted productivity-enhancing tax measure, one that includes relief for those who most heavily have borne the weight of inflation, not be characterized as partisan or purely political.

June 23, 1980

COMMITTEE TO FIGHT INFLATION

Chronic inflation at unprecedented levels is a serious threat to the stability of our system--economic, social, and political. Since efforts to control inflationary pressures have not been successful, a serious crisis of confidence has developed. The growing public concern about the destructive effects of inflation has created an opportunity to marshal and maintain broad support for effective anti-inflation policies. A committee of private citizens with extensive experience in government has been formed to promote such policies.

Founding members of the committee include:

Arthur F. Burns, Chairman, former Chairman of the Board of Governors, Federal Reserve System.

Henry H. Fowler, Vice Chairman, former Secretary of the Treasury.

W. Michael Blumenthal, former Secretary of the Treasury.

John W. Byrnes, former Ranking Minority Member, Ways and Means Committee, U.S. House of Representatives.

Frederick L. Deming, former Under Secretary of the Treasury.

C. Douglas Dillon, former Secretary of the Treasury.

Paul W. McCracken, former Chairman of the Council of Economic Advisers.

George H. Mahon, former Chairman of the Appropriations Committee, U.S. House of Representatives

William McC. Martin, Jr., former Chairman of the Board of Governors, Federal Reserve System.

Wilbur D. Mills, former Chairman of the Ways and Means Committee, U.S. House of Representatives.

George P. Shultz, former Secretary of the Treasury.

William E. Simon, former Secretary of the Treasury.

John J. Williams, former Ranking Minority Member, Finance Committee, U. S. Senate

Mailing address: Sidney L. Jones, Secretary of the Committee to Fight Inflation, American Enterprise Institute for Public Policy Research, 1150 17th St., N.W., Washington, D.C. 20036

THE WHITE HOUSE
WASHINGTON

July 23, 1980

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MEMORANDUM FOR THE PRESIDENT

FROM: FRANK MOORE *F.M.*
BOB SCHULE
GARY FONTANA

SUBJECT: Status Report on the Alaska Lands Bill

We had a very good day in the Senate yesterday on the Alaska Lands Bill. However, we still face an uphill fight and perhaps some very delicate negotiations in order to achieve an "acceptable" bill.

The Senate spent the entire day debating the Tsongas-Hart-Chafee amendment regarding National Wildlife Refuges. Final action on the amendment will not occur until later today.

During the day yesterday, three roll call votes did occur:

- a) A Melcher amendment to reestablish the Porcupine National Forest (defeated 30 to 66);
- b) A Jackson motion to table the amendment (defeated 33 to 64); and
- c) A Jackson amendment in the nature of a substitute (defeated 33 to 62)

While the size of our margins was somewhat surprising, we have always known that the "refuge amendment" will be the easiest for us to carry. Nonetheless, it was gratifying to see that eight of the nine Senators you called over the weekend (Sasser, Randolph, Talmadge, Williams, Matsunaga, Inouye, Percy and Hollings) and all three of the ones you were with on Monday (Huddleston, Ford and Bentsen) voted with the Administration on at least two of the three recorded votes. The environmentalists were particularly impressed with the success of your calls.

Of the members you contacted only Senator Cannon consistently voted against us. Beyond that, Senators Inouye and Matsunaga voted with Senator Jackson on his substitute, (which Jackson lobbied heavily) and Senator Talmadge voted for the Melcher amendment.

Based on these roll calls, we should have sufficient votes to pass the refuge amendment when it comes to a final vote.

The next major amendment that will come up is the Tsongas-Roth-McGovern amendment regarding the timberlands in southeast Alaska. The outcome there is very much in doubt. Our current headcount on the southeast amendment shows 45 "yes" and "leaning yes," 48 "no" and "leaning no," and 7 "undecided." From our perspective, this is the single most important amendment to the bill. Unfortunately, it is equally important to Senator Stevens who will make every possible effort to defeat it.

Senator Gravel has already announced that he is going to mount a filibuster to prevent passage of a bill. If we succeed in passing both the refuge amendment and the southeast amendment in its present form, Senator Stevens would almost certainly join in the effort to block the bill.

If we cannot get enough votes to carry a major part of the southeast amendment, we will be forced to go to conference not only in a disadvantageous bargaining position but also over the likely objection of the environmental community who would then prefer "no bill" to anything the conference is likely to produce. If, on the other hand, we are able to develop sufficient votes to pass the southeast amendment, we will still face a difficult set of choices.

The best we could hope for in that situation for Senators Stevens and/or Jackson would come to us before any final vote on southeast and attempt to negotiate a compromise on the entire bill (much like the Ad Hoc Conference that was tried at the end of the 95th Congress).

If we fail to reach an accommodation with Jackson and/or Stevens, there is little chance we could pass a bill and even get to a conference (over Senator Jackson's objection) and even less chance that we could defeat a combined Gravel/Stevens filibuster and pass a conference report. In that situation, the only available course of action would be to attempt to make sufficient additional improvements in the Senate bill that we could avoid a conference by asking the House to approve the Senate-passed bill.

This would require support from Senator Byrd (which we do not have at the moment) and would require us to give up on the issue of oil exploration in the Douglas Arctic Wildlife Range since there is no conceivable way for us to win that amendment in the Senate now.

Obviously, the most attractive course of action is to demonstrate sufficient strength on the southeast amendment to force Jackson and Stevens to negotiate a "deal." While at the moment we do not have the necessary votes to do that, we are clearly in much better shape than we were even a few days ago.

THE WHITE HOUSE

WASHINGTON

23 Jul 80

Gene Eidenberg

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

Rick Hutcheson

Electrostatic Copy Made
for Preservation Purposes

THE WHITE HOUSE
WASHINGTON

July 23, 1980

*Gene - keep our
key group at
work. Meet weekly -
Push hard.*

J

MEMORANDUM FOR THE PRESIDENT

FROM:

GENE EIDENBERG *Gene*

SUBJECT:

Status of Cuban Refugees in Detention
Centers

The resettlement of Cuban refugees from detention centers is proceeding, but at a pace that is slowing. We have received approximately 116,000 Cubans since the start of the exodus and 93,195 have been resettled. 22,086 remain in the camps, as follows:

6,561	Ft. Chaffee, Arkansas
7,379	Camp McCoy, Wisconsin
1,253	Eglin AFB, Florida
6,438	Indiantown Gap, Pennsylvania.

We were resettling refugees out of the camps at a rate of 1,000 per day. That rate has slowed to 250 per day primarily because the State Department is running out of funds that can be used to pay for the costs of resettlement. We are working to get Congress to include funds for these purposes within requests already made by the Administration to assist in the refugee situation. I have asked OMB to work with State to identify existing resources that can be used to meet this important need.

It is also clear that we will have a residual population numbering 5 - 10,000 which will be extremely hard to resettle. This group is composed primarily of single, unattached males, 30 years of age and older, for whom sponsors are very hard to identify.

We will eventually locate all the non-criminal refugees outside detention centers, but we will need to keep one center operating into the fall because it will take more time to resettle these older unattached individuals.

The Ft. Chaffee center is likely to be the best location for this purpose. I have talked about this prospect with Governor Bill Clinton, who is doing some local consulting for us to pave the way for such a decision. Several hundred civilian jobs in the surrounding community depend on this operation, so there is some chance an announcement of the continued use of Ft. Chaffee for several more months will not be politically damaging. Obviously, we cannot achieve the desired consolidation until we have reduced further the population at Camp McCoy and Indiantown Gap.

The only alterantive to this process is to release the refugees into the community without sponors. To do so would create a severe reaction in Pennsylvania, Wisconsin and Florida for dumping people into communities without adequate public or private support to meet their needs. Inevitably, most of these people would migrate to South Florida, thereby, exacerbating an already very tender community situation.

You should know that smuggling operations continue to land an average of 100 Haitians and Cubans per day in South Florida. The Coast Guard is stepping up its efforts, but some leakage is inevitable as long as Castro permits Cubans to leave via Mariel. Zbig's staff has asked State to work on this continuing problem through third country efforts.

TALMADGE/FOLEY 7-23-80

WEATHER/ENERGY → INCOME ↓

EFFECTIVE FARM POLICY

ADJUST \bar{c} Δ CIRCUMSTANCES

—
LOAN RATES

SPECIAL LOANS

BUDGET

INTEGRITY, CONTINUITY

—
CONSIDERATIONS:

BASIC, '80 CROP \bar{c} 2.25 W 2.80

SPECIAL \bar{c} 2.40 W 3.30

NO MANDATED INT WAIVER

NO LEGALLY SET CALL LEVELS

RES RELEASE \bar{c} 2.81 W 4.20

CALL \bar{c} 3.26 W 5.18

"River of No Return" Bill 7-23-80
Sen Church, Gov Evans, Sec Anderson
MC's 52009
TRIP, MIDDLE FORK
LARGEST WILDERNESS- 48
FRANK CHURCH. ADDRESS, CONG
'77 ENNIE MSG + 4² mil + 48%
ALASKA LANDS BILL

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THE WHITE HOUSE
WASHINGTON

7/23/80

MR. PRESIDENT--

I have just seen Stu's separate memorandum to you on the Kirkland dinner tonight.

I think it is far more appropriate for this dinner to be social and relaxed, rather than a working business and political dinner. I suggest that you use Stu's memo as background only--not as an agenda.

One final item: it would be appropriate for you to tell Lane that you intend to ask Chick Chaikin to second your nomination at the Convention.



Landon

July 23, 1980

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MEMORANDUM FOR THE PRESIDENT AND MRS. CARTER

FROM: LONDON BUTLER *LB*

SUBJECT: PRIVATE DINNER WITH MR. AND MRS. LANE KIRKLAND

Date: Wednesday, July 23, 1980

Time: 6:30 p.m.

Irena

Ear-na

BACKGROUND, PARTICIPANTS AND PRESS PLAN

Lane Kirkland's political leadership in the labor movement will be very important in the Fall, and he is currently playing an important role in the Kennedy reconciliation effort; the timing for your dinner with the Kirklands is therefore very appropriate.

Mrs. Kirkland's first name is Irena (pronounced EAR-na). She has a fascinating background of her own: she and her twin sister were detained in Nazi concentration camps during World War II, and later lived in Israel.

There is no press plan, and the dinner does not appear on your public schedule.

SUGGESTED CONVERSATION TOPIC

Lane spent most of May and June in Europe visiting the leaders of European trade unions and participating in the ILO Conference; Irena accompanied him on the entire trip. Lane is a perceptive analyst of European politics. He is a personal friend of Helmut Schmidt; when Schmidt visited you earlier this year, he held a private lunch in Lane's honor.

Lane took a strong worker delegation to the ILO Conference; his delegates included Chick Chaikin, Bob Georgine, and Marty Ward, all of whom are outspoken Carter supporters. Lane's aggressive work at the ILO Conference contributed to a successful outcome and made a lot of influential friends for the United States.

I think both you and Mrs. Carter would enjoy hearing the Kirklands relate their impressions from their trip.

Stu is sending you a separate note to bring you up-to-date on Kirkland's role in the Kennedy reconciliation effort.

THE WHITE HOUSE

WASHINGTON

July 23, 1980

MEMORANDUM FOR THE PRESIDENT

FROM: STU EIZENSTAT *SE*

SUBJECT: Your Dinner with Lane Kirkland

Permit me to make a few points regarding your dinner this evening with Lane Kirkland.

1. The compromise platform language was sent to the AFL-CIO early yesterday. We consider it a good faith step toward resolving our dispute with Senator Kennedy, and equally important, avoiding a debate on economic policy at the Convention. You could express to Lane your appreciation for his willingness to act as a mediator and your hope that this will be a successful enterprise.

2. Lane wants to say that we have a program which will back-up the commitment to an economic recovery program which is stated in our compromise platform language. Bill Miller and I have very generally briefed Lane on some of the potential items in the package, but we have necessarily been very general since nothing has gone to you with any degree of detail.

We are working out a package with a Fiscal 1981 impact, which would:

- (a) Offset all or some part of the Social Security tax increase going into effect January, 1981. We are leaning toward the Gephardt approach of a tax credit. This is highly targeted to middle and lower middle income taxpayers and would have an anti-inflationary impact as well.
- (b) A accelerated depreciation scheme which would simplify depreciation, provide for more realistic, useful lives, and which would be only half as expensive as the 10-5-10 approach.
- (c) We are considering, but have made no decisions on, removal of the marriage penalty, under which married couples are penalized in the tax system when both spouses work and the lesser earning

spouse earns a certain percentage of the total family income, and we are also working at the removal of some portion of the taxation of Americans living abroad as an export incentive.

- (d) We are working toward something in the neighborhood of a \$3 billion (budget authority) structural oriented expenditure component that is at this time ill-defined but which would be designed around structural investments in America (e.g., expansion of port facilities for coal exports, weatherization of public buildings.)

Lane's greatest interest is in industrial policy and in some type of reconstruction finance corporation-type entity to help finance industries in decline. In addition, Lane appears to want some type of national tripartite committee or council, as well as sectorial tripartite committees where appropriate. There is less concern amongst your economic advisors with the latter proposition than with the former. Charlie Schultze and Jim McIntyre have very real concerns about a corporation which tries to help industries which are likely to fail in any event, duplicating the "lemon socialism" tried by the British. Bill Miller has some interest in this type of proposal. I think there may be more common agreement around the concept of an industrial authority which would provide incentives for industries to locate in areas hard hit by our decline in our industrial base. This, in effect, would be like the National Development Bank which you had proposed last year. This is a concept, if you accept it, which could be announced but which would take considerable additional work and would be a Fiscal 1982 initiative.

I think it would be useful to sound Lane out on the above program and to receive his views on it.

3. He is particularly concerned about a settlement of a dispute between the employees of the Postal Union and the Postal Service. You can tell him that I have met with Postmaster General Bolger and that Ray Marshall and Mr. Bolger have now met, at my request, and are trying to resolve the matter.

4. He may raise with you the question of an Executive Order to debar companies which are persistent violators of our labor laws. You could do by Executive Order what we attempted to do in part by our Labor Law bill. You should be aware that I have had numerous meetings on this issue but that it is a very close call on whether legal authority exists to issue such an Executive Order. In any event, it is an open question as to whether it is advisable to do so before the election.

5. Governor Reagan and the people he will bring with him have an atrocious record on key labor and social issues of concern to the AFL-CIO. Their active and enthusiastic support will be essential in key industrial States. You might try to do your best to secure it at this point.