

**5/19/77 [3]**

Folder Citation: Collection: Office of Staff Secretary; Series: Presidential Files; Folder: 5/19/77 [3]; Container 21

To See Complete Finding Aid:

<http://www.jimmycarterlibrary.gov/library/findingaids/Staff%20Secretary.pdf>

---

THE WHITE HOUSE  
WASHINGTON

May 19, 1977

Bob Linder

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

Rick Hutcheson

cc: Jim King  
Tom Jones

Re: Documents concerning  
Richard N. Cooper

5/19/77

THE WHITE HOUSE  
WASHINGTON

May 17, 1977

MEMORANDUM FOR: THE PRESIDENT  
FROM: JAMES B. KING *JBK*  
SUBJECT: Presidential Appointment

Attached for your signature is a nomination withdrawal for Richard N. Cooper, of Connecticut, Under Secretary of State for Economic Affairs to be United States Alternate Governor of the following-named international financial institutions:

International Bank for Reconstruction and Development.  
Inter-American Development Bank.  
Asian Development Bank.  
African Development Fund.

Also attached is a new nomination document resubmitting Mr. Cooper to the Senate. This action is the result of a clerical error on the original nomination sent to the Senate on May 16, 1977.

*Be more careful*  
*J*

**Electrostatic Copy Made  
for Preservation Purposes**

To the

Senate of the United States.

*I withdraw the nomination of*

Richard N. Cooper, of Connecticut, to be United States

Alternate Governor of the International Bank for Reconstruction  
and Development for a term of five years; United States Alternate  
Governor of the Inter-American Development Bank for a term of  
five years; United States Governor of the Asian Development Bank  
and United States Governor of the African Development Fund, vice  
William D. Rogers, resigned.

*Jimmy Carter*

*To the*

*Senate of the United States.*

*I nominate* Richard N. Cooper, of Connecticut, to be United States Alternate Governor of the International Bank for Reconstruction and Development for a term of five years; United States Alternate Governor of the Inter-American Development Bank for a term of five years; United States Alternate Governor of the Asian Development Bank and United States Alternate Governor of the African Development Fund, vice William D. Rogers, resigned.

*Jimmy Carter*

THE WHITE HOUSE  
WASHINGTON

May 19, 1977

Bert Lance  
Stu Eizenstat  
Jack Watson  
Tim Kraft

Re: Need to Focus and Contain the  
Cost of Veterans' Programs

The attached was returned in the President's  
outbox and is forwarded to you for your infor-  
mation and appropriate action.

Rick Hutcheson

THE WHITE HOUSE  
WASHINGTON

ACTION FYI	<input type="checkbox"/>	MONDALE
	<input type="checkbox"/>	COSTANZA
	<input checked="" type="checkbox"/>	EIZENSTAT
	<input type="checkbox"/>	JORDAN
	<input type="checkbox"/>	LIPSHUTZ
	<input type="checkbox"/>	MOORE
	<input type="checkbox"/>	POWELL
	<input checked="" type="checkbox"/>	WATSON

<input type="checkbox"/>	ENROLLED BILL
<input type="checkbox"/>	AGENCY REPORT
<input type="checkbox"/>	CAB DECISION
<input type="checkbox"/>	EXECUTIVE ORDER
	Comments due to Carp/Huron within 48 hours; due to Staff Secretary next day

<input type="checkbox"/>	FOR STAFFING
<input type="checkbox"/>	FOR INFORMATION
<input checked="" type="checkbox"/>	FROM PRESIDENT'S OUTBOX
<input type="checkbox"/>	LOG IN/TO PRESIDENT TODAY
<input type="checkbox"/>	IMMEDIATE TURNAROUND

<input type="checkbox"/>	ARAGON
<input type="checkbox"/>	BOURNE
<input type="checkbox"/>	BRZEZINSKI
<input type="checkbox"/>	BUTLER
<input type="checkbox"/>	CARP
<input type="checkbox"/>	H. CARTER
<input type="checkbox"/>	CLOUGH
<input type="checkbox"/>	FALLOWS
<input type="checkbox"/>	FIRST LADY
<input type="checkbox"/>	GAMMILL
<input type="checkbox"/>	HARDEN
<input type="checkbox"/>	HOYT
<input type="checkbox"/>	HUTCHESON
<input type="checkbox"/>	JAGODA
<input type="checkbox"/>	KING

<input checked="" type="checkbox"/>	KRAFT
<input checked="" type="checkbox"/>	LANCE
<input type="checkbox"/>	LINDER
<input type="checkbox"/>	MITCHELL
<input type="checkbox"/>	POSTON
<input type="checkbox"/>	PRESS
<input type="checkbox"/>	B. RAINWATER
<input type="checkbox"/>	SCHLESINGER
<input type="checkbox"/>	SCHNEIDERS
<input type="checkbox"/>	SCHULTZE
<input type="checkbox"/>	SIEGEL
<input type="checkbox"/>	SMITH
<input type="checkbox"/>	STRAUSS
<input type="checkbox"/>	WELLS
<input type="checkbox"/>	VOORDE



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

ok -  
Have Max  
Come in  
J  
MAY 12 1977

THE PRESIDENT HAS SEEN.

MEMORANDUM FOR: THE PRESIDENT  
FROM: Bert Lance *BHL*  
SUBJECT: Need to Focus and Contain the Cost  
of Veterans' Programs

As we lay the foundation for a balanced budget in fiscal year 1981, it is essential that the Carter Administration adopt a policy framework within which veterans' benefits can be addressed. In this memorandum, I suggest a way of proceeding.

You are well aware of the pressure for increases in veterans' benefits. What this pressure means in the context of the FY 1981 budget is the threat of \$5 billion in additional outlays beyond what a continuation of your current policies would produce. And this includes only the impact of near-term threats--primarily those now under consideration in the Congress.

The implications of these threats are threefold:

- . They jeopardize achievement of a balanced budget (or, alternatively, threaten to keep other high-priority Administration objectives such as welfare reform out of the budget).
- . They threaten to dilute the energies of your Administration to focus high-quality care and compensation on those veterans, such as Max Cleland, who became disabled during their military service.
- . They threaten to widen the gulf between veterans who have no service-connected disability and non-veterans with the same needs and resources.

**Electrostatic Copy Made  
for Preservation Purposes**



I do not believe we will be able to counter these threats successfully if we are forced to deal with them one-by-one, and with only the general budget squeeze to fall back on. Accordingly, I recommend that you meet with Max at an early date to enlist his help in developing a strategy--one that can constrain the growth in VA's budget and allow existing resources to be reprogrammed to veterans with service-connected disabilities.

Personally, I feel that much of the political heat could be drawn from the issue by creating a Presidential commission, along the lines of the one headed by General Omar Bradley during the 1950s, to make recommendations regarding the Government's policy toward veterans. I believe an impartial group would reach a conclusion consistent with that reached by the Bradley Commission: that veterans' benefits should be limited to (1) the best possible care and compensation for service-disabled veterans, and (2) temporary readjustment benefits for conscripted veterans returning to civilian life.

Conclusions of this sort would be extremely helpful to your Administration in resisting threats to the VA budget. I believe they would also be in accord with Max's views, since he has continually stressed the need to improve care for veterans with service-connected disabilities. If so, you could ask for no more effective salesman for the policies stemming from these conclusions.

Attachment



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

MAY 17 1977

MEMORANDUM FOR: THE PRESIDENT  
FROM: Bert Lance *BLC*  
SUBJECT: Prospects for Success of a "Bradley-type"  
Commission to Review Veterans' Programs

In our conversation about a new Bradley Commission to study veterans' benefits, you asked about the risk that such a commission might recommend further liberalizations. In assessing this risk, it seems useful to review the composition, procedures, conclusions, and recommendations of the original Bradley Commission.

Composition

The Commission members were selected in such a way that their interests and expertise roughly paralleled major veterans' benefits programs. The members were:

General Omar N. Bradley, World War II General of the Armies and VA Administrator 1945-1947  
Clarence G. Adamy, field director of the National Citizens Committee for Educational Television  
William J. Donovan, attorney and World War II Director of the Office of Strategic Services  
Paul R. Hawley, director of the American College of Surgeons  
Martin D. Jenkins, president of Morgan State College  
Theodore S. Peterson, president of the Standard Oil Company of California  
John S. Thompson, vice chairman of the board, Mutual Benefit Life Insurance Company

The selection of commission members carefully avoided leaders of veterans' organizations, and depended on non-advocates to guarantee objective conclusions and recommendations.

### Procedure

The Commission was careful to provide veterans' groups ample opportunities to make input. Letters were sent to every national veterans' service organization requesting their views on what issues the Commission should study, and their help in developing information pertaining to those issues. Later, veterans' organizations were briefed on principal factual findings, and were given opportunities to present their views on each issue.

### Conclusions and Recommendations

The Bradley Commission recommended that:

- . Special veterans' benefits should be provided only for the significant requirements of veterans that arise directly out of their military service.
- . The ordinary or non-service-connected needs which veterans have in common with all citizens should be met wherever possible through the general welfare programs under which veterans are covered along with other people. Veterans' non-service-connected benefits should be minimized and gradually eliminated.
- . The Government in general, and the executive branch in particular, should adopt a positive policy toward meeting fully and promptly the legitimate needs of veterans. This policy should have the aim of alleviating war-incurred handicaps of servicemen as early as possible after separation and helping them become productive and useful members of their communities. The provision of constructive and adequate readjustment benefits, as a rule, should discharge the Government's obligation to war veterans who have no service-connected disability.
- . Because the heaviest cost of veterans pension legislation lie in the future, enactment of veterans pension legislation should be preceded by a careful long-range look ahead to make sure that socially and financially unsound provisions are not adopted. We should not commit future generations to obligations that we ourselves are unwilling to shoulder. Excessive commitments might jeopardize the valid programs and in so doing deprive the aging veterans of compensation at a time when most needed.

- . As a Nation we should keep the whole range of our needs in perspective. We ought to make sure that we meet the high-priority service-connected needs of our veterans--and this is fully within our means and our volition as a Nation. However, it would be dangerous to overemphasize veterans' non-service-connected benefit programs at the expense of essential national security and other general public programs.

(As you know, the Congress as well as past Administrations have disregarded these recommendations. Each military conflict has produced a new round of benefit legislation, usually liberalizing benefits given to earlier veterans. In addition, there has been a tendency for the readjustment period to be lengthened, and readjustment benefits made permanent.)

#### Conclusion

I believe the creation of a commission would be a useful way to develop guidelines for containing further expansion of veterans' benefits. The probability that the commission would itself become an advocate for liberalization can be greatly reduced if the members are selected judiciously and the objectives are assigned carefully. I believe we can fruitfully follow the precedent of the Bradley Commission in this regard.

THE WHITE HOUSE  
WASHINGTON

INFORMATION

17 May 1977

TO: THE PRESIDENT  
FROM: RICK HUTCHESON *Rich*  
SUBJECT: Summary of Staff Comments on  
Attached Lance Memo

Watson: concurs with Lance suggestions, and recommends that the President meet with Max Cleland. Watson says Cleland plans to ask to meet with the President shortly to discuss the VA, in any case.

Siegel: warns that the Administration should be very careful about taking any action which would appear to be renegeing on our commitments to veterans.

Eizenstat: agrees with Lance about the potential budget threat from veterans benefits. He observes that 45% of the population is eligible for veterans benefits, and that the FY 1978 budget request for veterans is \$19.1 billion.

Stu concurs with Lance's proposed commission to examine the nature of veterans benefits, but recommends that this effort be coordinated with DoD's commission on military compensation. It is possible that the two efforts can be combined.

Stu also recommends that Max Cleland be invited to attend Cabinet meetings.

THE WHITE HOUSE  
WASHINGTON

Date: May 13, 1977

MEMORANDUM

FOR ACTION:

The Vice President  
Hamilton Jordan Jack Watson  
Stu Eizenstat  
Tim Kraft  
Bob Lipshutz - Also be aware of  
Frank Moore

FOR INFORMATION:

*concur & should set mtg in person w/ Max Cleland  
& combine w/ McClelland's general mtg w/ President  
bills on the Hill that would deny benefits to  
vets who get upgraded discharges*

FROM: Rick Hutcheson, Staff Secretary

SUBJECT: Bert Lance memo 5/12 re Need to Focus and Contain the  
Cost of Veteran's Programs.

YOUR RESPONSE MUST BE DELIVERED  
TO THE STAFF SECRETARY BY:

TIME: 11:00 A.M.

DAY: Monday

DATE: May 16, 1977

ACTION REQUESTED:

Your comments

Other:

STAFF RESPONSE:

I concur.

No comment.

Please note other comments below:

5/19

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

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

Outline of Points to be Covered in  
Discussion with Max Cleland

- . I am personally committed to two objectives:
  - A balanced Federal budget in FY 1981.
  - Improved care to veterans with service-connected disabilities.
- . Both of these objectives are threatened by budget threats now on the horizon:
  - OMB estimates that current threats could raise 1981 VA outlays by \$5 billion over those estimated by projections of current policies.
  - There is not room in the budget for both these threats and the funds needed for elderly and service-disabled veterans.
- . We can't resist the budget threats one-by-one.
  - Benefits of most small additions always seem to outweigh costs.
  - In a \$500 billion budget, the cost of even sizeable threats will be downplayed in favor of "helping veterans."
- . If we are to meet our objectives, we must develop a strategy for:
  - Countering threats.
  - Focusing existing resources on the really worthy, service disabled and elderly.
- . I suggest a second Presidential commission on veterans' programs, like the Bradley Commission of the 1950s. Such a commission would:
  - Provide impartial recommendations for a national policy toward veterans.
  - Minimize Administration exposure to political repercussions of opposing threats in low-priority areas.
  - Get you off the hook with the service organizations.
- . I would like you to:
  - Prepare an Executive Order establishing such a commission.

- Propose details such as candidates for the commission, what issues it should address, how long it would have to complete its work, etc.
- . Need to get results fast.
  - Set the process in motion as soon as possible.
  - Set earliest reasonable reporting date.





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

MAY 12 1977

MEMORANDUM FOR: THE PRESIDENT  
FROM: Bert Lance *BLC*  
SUBJECT: Need to Focus and Contain the Cost  
of Veterans' Programs

As we lay the foundation for a balanced budget in fiscal year 1981, it is essential that the Carter Administration adopt a policy framework within which veterans' benefits can be addressed. In this memorandum, I suggest a way of proceeding.

You are well aware of the pressure for increases in veterans' benefits. What this pressure means in the context of the FY 1981 budget is the threat of \$5 billion in additional outlays beyond what a continuation of your current policies would produce. And this includes only the impact of near-term threats--primarily those now under consideration in the Congress.

The implications of these threats are threefold:

- They jeopardize achievement of a balanced budget (or, alternatively, threaten to keep other high-priority Administration objectives such as welfare reform out of the budget).
- They threaten to dilute the energies of your Administration to focus high-quality care and compensation on those veterans, such as Max Cleland, who became disabled during their military service.
- They threaten to widen the gulf between veterans who have no service-connected disability and non-veterans with the same needs and resources.

I do not believe we will be able to counter these threats successfully if we are forced to deal with them one-by-one, and with only the general budget squeeze to fall back on. Accordingly, I recommend that you meet with Max at an early date to enlist his help in developing a strategy--one that can constrain the growth in VA's budget and allow existing resources to be reprogrammed to veterans with service-connected disabilities.

Personally, I feel that much of the political heat could be drawn from the issue by creating a Presidential commission, along the lines of the one headed by General Omar Bradley during the 1950s, to make recommendations regarding the Government's policy toward veterans. I believe an impartial group would reach a conclusion consistent with that reached by the Bradley Commission: that veterans' benefits should be limited to (1) the best possible care and compensation for service-disabled veterans, and (2) temporary readjustment benefits for conscripted veterans returning to civilian life.

Conclusions of this sort would be extremely helpful to your Administration in resisting threats to the VA budget. I believe they would also be in accord with Max's views, since he has continually stressed the need to improve care for veterans with service-connected disabilities. If so, you could ask for no more effective salesman for the policies stemming from these conclusions.

Attachment

Outline of Points to be Covered in  
Discussion with Max Cleland

- . I am personally committed to two objectives:
  - A balanced Federal budget in FY 1981.
  - Improved care to veterans with service-connected disabilities.
- . Both of these objectives are threatened by budget threats now on the horizon:
  - OMB estimates that current threats could raise 1981 VA outlays by \$5 billion over those estimated by projections of current policies.
  - There is not room in the budget for both these threats and the funds needed for elderly and service-disabled veterans.
- . We can't resist the budget threats one-by-one.
  - Benefits of most small additions always seem to outweigh costs.
  - In a \$500 billion budget, the cost of even sizeable threats will be downplayed in favor of "helping veterans."
- . If we are to meet our objectives, we must develop a strategy for:
  - Countering threats.
  - Focusing existing resources on the really worthy, service disabled and elderly.
- . I suggest a second Presidential commission on veterans' programs, like the Bradley Commission of the 1950s. Such a commission would:
  - Provide impartial recommendations for a national policy toward veterans.
  - Minimize Administration exposure to political repercussions of opposing threats in low-priority areas.
  - Get you off the hook with the service organizations.
- . I would like you to:
  - Prepare an Executive Order establishing such a commission.

-- Propose details such as candidates for the commission, what issues it should address, how long it would have to complete its work, etc.

. Need to get results fast.

-- Set the process in motion as soon as possible.  
-- Set earliest reasonable reporting date.

THE WHITE HOUSE

WASHINGTON

May 16, 1977

MEMORANDUM TO: THE PRESIDENT

FROM: STU EIZENSTAT *Stu*  
FRANK RAINES

SUBJECT: Bert Lance Memo on  
Veterans Programs

Bert Lance has sent you a memorandum expressing his deep concern about the threats to the budget from congressional proposals to increase the cost of veterans benefits. We share that concern.

- The FY 1978 budget request for veterans programs is \$19.1 billion.
- The Veterans Administration employs more people than any agency other than the Defense Department. Veterans and their families qualify for a variety of benefits including medical care, education and training, disability compensation and old age pensions, housing, and insurance.
- About forty-five percent of the population is eligible for veterans benefits.
- Only 20 percent of the patients at veterans hospitals have service-connected conditions.

The ultimate question is: What is the purpose of veterans benefits -- particularly in light of the advent of a well-paid voluntary military.

Recommendation:

1. We concur in Director Lance's recommendation for a short-lived commission to examine the nature and purposes of veterans benefits. However, we recommend that this effort be coordinated with the Defense Department's commission on military compensation.

The issues are obviously closely related and perhaps can be combined in one effort. The appointment of the members and staff of the commission will have to be carefully coordinated to insure that it not become a captive of the agency or the interest groups.

2. We would also recommend that you invite Max Cleland to attend Cabinet meetings. This would be a useful first step in ending the isolation of the VA. It would also be a welcome signal to veterans groups of your interest in veterans programs.

Date: May 13, 1977

## MEMORANDUM

## FOR ACTION:

The Vice President  
 Hamilton Jordan Jack Watson  
 Stu Eizenstat  
 Tim Kraft  
 Bob Lipshutz  
 Frank Moore

## FOR INFORMATION:

FROM: Rick Hutcheson, Staff Secretary

SUBJECT: Bert Lance memo 5/12 re Need to Focus and Contain the Cost of Veteran's Programs.

YOUR RESPONSE MUST BE DELIVERED  
 TO THE STAFF SECRETARY BY:

TIME: 11:00 A.M.

DAY: Monday

DATE: May 16, 1977

## ACTION REQUESTED:

 Your comments

Other:

## STAFF RESPONSE:

 I concur. No comment.

Please note other comments below:

You should also be aware of  
 Bill on the Hill which will  
 bring benefits to veterans whose  
 discharges ~~are~~ upgraded during  
 the Administration program.

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

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

Date: May 13, 1977

## MEMORANDUM

## FOR ACTION:

The Vice President  
 Hamilton Jordan ✓ Jack Watson  
 Stu Eizenstat  
 Tim Kraft  
 Bob Lipshutz  
 Frank Moore

## FOR INFORMATION:

FROM: Rick Hutcheson, Staff Secretary

SUBJECT: Bert Lance memo 5/12 re Need to Focus and Contain the Cost of Veteran's Programs.

YOUR RESPONSE MUST BE DELIVERED  
 TO THE STAFF SECRETARY BY:

TIME: 11:00 A.M.

DAY: Monday

DATE: May 16, 1977

## ACTION REQUESTED:

 Your comments

Other:

## STAFF RESPONSE:

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

It is difficult to evaluate Bert's memo without support material on the budget "threats" he makes reference to. Politically, an attempt to cut back or limit aid to veterans is one of the few issues in the country that unite left and right. By assaulting veterans benefits, we undermine our position as "social progressives" and a traditions of special treatment for veterans that appears throughout all federal programs, hiring practices, and educational benefits. At the same time we undermine our position with conservatives who believe that service in the armed forces is the highest form of service to the country, and a service that should be rewarded. It is an issue mired in the national guilt of the Vietnam war, for these are the Americans that truly paid the price for the mistakes of our nation's leaders. If we are to go ahead and cut back under V.A., the Commission might help politically. We could also do a major sell on all the veterans benefits that are found in other departments and other budgets. In any case, we should be very cautious about any actions that would be seen to be renegeing on our commitments to veterans. Physically disability is not the only concern we should have. Hundreds of thousands bear psychic scars, jobs and educational progressions have been disrupted, and in some cases destroyed. CAUTION!

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

Siegel

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



Date: May 13, 1977

MEMORANDUM

## FOR ACTION:

The Vice President  
 Hamilton Jordan Jack Watson  
 Stu Eizenstat  
 Tim Kraft  
 Bob Lipshutz  
 Frank Moore

## FOR INFORMATION:

1977 MAY 13 PM 2 03

FROM: Rick Hutcheson, Staff Secretary

SUBJECT: Bert Lance memo 5/12 re Need to Focus and Contain the Cost of Veteran's Programs.

YOUR RESPONSE MUST BE DELIVERED TO THE STAFF SECRETARY BY:

TIME: 11:00 A.M.

DAY: Monday

DATE: May 16, 1977

## ACTION REQUESTED:

 Your comments

Other:

## STAFF RESPONSE:

 I concur. No comment.

Please note other comments below:

I concur with Bert's suggestions and recommend that we set up the meeting in person with Max - I spoke with him last week, & he said that he was about ready to ask for a meeting with the President to report on his activities & outline his general plans for VA - The two meetings could be combined -

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

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

Jack W.

Date: May 13, 1977

MEMORANDUM

FOR ACTION:

The Vice President  
Hamilton Jordan Jack Watson  
Stu Eizenstat  
Tim Kraft  
Bob Lipshutz  
Frank Moore ✓

FOR INFORMATION:

HL  
SL

FROM: Rick Hutcheson, Staff Secretary

SUBJECT: Bert Lance memo 5/12 re Need to Focus and Contain the Cost of Veteran's Programs.

YOUR RESPONSE MUST BE DELIVERED  
TO THE STAFF SECRETARY BY:

TIME: 11:00 A.M.

DAY: Monday

DATE: May 16, 1977

ACTION REQUESTED:

Your comments

Other:

STAFF RESPONSE:

I concur.

No comment.

Valerie Pearson  
(House liaison)

Please note other comments below:

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

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



THE SECRETARY OF COMMERCE  
Washington, D.C. 20230

1977 MAY 9 AM 9:54

MAY 6 1977

MEMORANDUM FOR THE PRESIDENT

FROM: *James M. Rippe*  
Secretary of Commerce

SUBJECT: President's Representative at the Poznan  
International Technical Fair (June 12-21, 1977)

Each year the Department of Commerce sponsors a large group of American firms at the Poznan International Technical Fair, the premier foreign commercial event in Poland. It is customary for the President to choose a person to represent him at the Opening Day and America Day ceremonies.

The President's representative to the Poznan Fair is always received by top Polish officials, often including First Secretary Edward Gierek. The President's representative also delivers an address and co-hosts with the U. S. Ambassador a reception during the Fair's America Day, which is tentatively scheduled for June 13.

I recommend that the following person represent you at the Poznan Fair:

Representative Dan Rostenkowski (D-Ill.)



THE WHITE HOUSE  
WASHINGTON

May 19, 1977

Stu Eizenstat  
Jack Watson

Re: Specialty Steel Quotas

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

Rick Hutcheson



THE SECRETARY OF THE TREASURY  
WASHINGTON 20220

cc: To *Shaw*  
      *& Blumenthal*  
      *J.C.*

May 11, 1977

THE PRESIDENT HAS SEEN.

MEMORANDUM FOR THE PRESIDENT

FROM: W. MICHAEL BLUMENTHAL *WMB*  
      CHAIRMAN, ECONOMIC POLICY GROUP

SUBJECT: REVIEW OF SPECIALTY STEEL QUOTAS

The Economic Policy Group has reviewed the status of import quotas on specialty steel products and unanimously agreed that you should exercise your prerogative of asking the U.S. International Trade Commission (USITC) to formally review the situation. However, EPG developed two options concerning the timing of your action. You could initiate a review immediately or you may wish to wait between 45-90 days to do so.

REASONS FOR USITC REVIEW

The need for an USITC review within the next few months stems from two principal factors. First, there is an apparent economic case against restricting several categories of specialty steel imports. Demand is increasing for flat-rolled steels that are used in consumer durables (although still sluggish for other steels that are more dependent on investment). Our overall assessment is for considerable improvement in the industry as a whole as the recovery proceeds. Second, the European Community has repeatedly protested curtailment of its specialty steel shipments to the U.S., imposed by President Ford last June. On two recent occasions it has formally requested that the U.S. Government initiate the procedures necessary to reduce or terminate import relief. In response, we have stated that we could consider reviewing the quotas after the USITC compiled data on the domestic specialty steel industry for calendar year 1976. This data is now available.

THE WHITE HOUSE

WASHINGTON

May 13, 1977

THE PRESIDENT HAS SEEN.

MEMORANDUM TO: THE PRESIDENT  
FROM: Jack Watson *Jack*  
SUBJECT: SPECIALTY STEEL QUOTAS

Attached is a decision memorandum from the Economic Policy Group outlining their review of the status of import quotas on specialty steel products. It has two attachments:

- Under Tab One are drafts of letters to the Chairman of the U.S.I.T.C. and Secretaries of Commerce and Labor;
- Under Tab Two is an earlier memorandum on the specialty steel issue from Bob Strauss to members of the EPG.

I have not included for your reading a lengthy memorandum and statistical document prepared by the Trade Policy Staff Committee, a copy of which was originally attached to the EPG memorandum. I have also not included a separate memorandum to you from Bob Strauss covering exactly the same information and options contained in the EPG memorandum. Bob's view that the request for I.T.C. advice should be deferred is fully and fairly presented in the EPG memorandum, and I did not want to give you duplicative reading.

Attachments

THE WHITE HOUSE  
WASHINGTON

May 19, 1977

Secretary Blumenthal  
Robert Strauss

Re: Specialty Steel Quotas

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

Rick Hutcheson

cc: Stu Eizenstat  
Jack Watson

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE

WASHINGTON

May 17, 1977

To Stu  
J

MEMORANDUM FOR:

THE PRESIDENT

FROM:

STU EIZENSTAT  
BOB GINSBURG

Stu

SUBJECT:

Specialty Steel Quotas

Issue

The EPG has unanimously agreed that the statutory process necessary to reduce or terminate the existing quotas on specialty steel should be initiated by asking the U.S. International Trade Commission (ITC) for advice on the probable effect on the domestic industry of such action. The issue before you is whether to initiate the process immediately or delay for a 45 to 90 day period.

Recommendation

We recommend immediate review, primarily because that will clearly indicate to the steel industry (and the general public) your concern over inflationary price increases and your willingness to vigorously use international trade as a tool to keep domestic prices down.

We think that the letter to the ITC should specifically instruct them to include data for the June 30 quarter in their review. The second quarter is likely to be much stronger for the industry than the first, increasing the possibility of favorable ITC advice on some categories of specialty steel. (Several categories remain relatively depressed and the ITC may well advise you that removal of quotas on these categories would have an adverse effect on the industry. Although you are not bound to follow that advice, it would make it difficult for you to go ahead and remove the quotas on the affected categories. Inclusion of the June 30 quarter may increase the possibility of receiving favorable ITC advice on a wider range of categories.) Although the review could be announced and begin immediately, inclusion of the June 30 data would delay completion by about a month.

**Electrostatic Copy Made  
for Preservation Purposes**



#### PROCEDURES FOR INITIATING A REVIEW

The first step involved in any reduction or termination of the quotas prior to its scheduled three year duration (from June 14, 1976 to June 13, 1979) would be to request the USITC's advice on the probable economic effect on the domestic industry of such action. (By law, advice is also required of the Secretaries of Commerce and Labor.) It will likely take the USITC at least three months to produce its advisory report.

#### NATURE OF USITC ADVICE

The USITC's recommendation is not binding, and you can support, reject, or simply not act on it. To give you maximum flexibility we are recommending that your request for USITC advice pertain to all product categories and that the advice be given on a product-by-product basis.

#### TIMING OF A REQUEST TO THE USITC

If you agree to initiating USITC review, the major issue is timing.

##### Arguments for an immediate review are:

-- It would be interpreted by the public as an anti-inflation measure. The U.S. steel companies would see it as a signal of strong Administration concern about price increases and it may inhibit further price increases in the steel industry.

-- Our trade relations with the EC would be improved and immediate impetus would be given to post-Summit momentum towards trade liberalization. The EC would be more likely to again defer seeking compensation or retaliation under international trading rules.

-- An early USITC review would strengthen our hand in urging the EC to resist protectionist measures in dealing with its own steel problems. It would

provide an improved environment for international discussions on world steel problems, which should be underway by mid-June in the OECD with US, EC and Japanese participation.

-- The USITC investigation will take at least three months -- hence an immediate request is really only an opportunity for you to make decisions in the late summer or early fall, when the industry should be in better economic condition.

Arguments for postponing a review until sometime this summer are:

-- Considerable domestic political opposition would be evoked from the domestic steel industry and unions, who would interpret a USITC request as a prelude to removal of quotas. Some members of Congress could be expected to vigorously oppose any move to relax or eliminate the quotas. This adverse domestic reaction could be postponed until upcoming trade issues such as shoes, color TV's and sugar, including the threat of Congressional override, are settled.

-- The longer the delay, the further along the industry will be in the recovery; hence more product categories will likely be included in USITC advice to relax quotas.

-- The second year quotas should not begin to actually restrain imports until the fall, thereby limiting the international and domestic economic effects of a modest delay.

-- If the request is delayed until late June, the ITC would be able to base its advice on an entire year of import relief. The full year will appear publicly to be a more credible time period during which to assess our experience under the quotas.

-- If the request for USITC advice is delayed until mid-summer OECD discussion on world steel problems will be underway, and this might mitigate adverse industry and union reaction.

OPTIONS

Timing

1. Request ITC advice immediately. Treasury, State, CEA, NSC, OMB support.

APPROVE  DISAPPROVE

2. Delay request for ITC advice. STR, Labor, Commerce support. (In this case we would come back to you this summer when the time seems right.)

APPROVE  DISAPPROVE

Procedure

If you choose to make an immediate request for USITC advice, you may either make the request directly to the USITC, or indirectly, by directing the Special Trade Representative (STR) to take such action on your behalf. A request to the USITC made by the STR might draw less adverse domestic union and industry attention to this study than would a Presidential request.

1. President to sign letters.

APPROVE  DISAPPROVE

2. Ambassador Strauss to sign.

APPROVE  DISAPPROVE

Bob Strauss has provided alternative draft letters (either for your signature or Strauss') to the Chairman of the USITC and letters requesting the advice of the Secretaries of Commerce and Labor (Tab 1).

For your information a copy of the STR memorandum to the Economic Policy Group on this subject is attached (Tab 2).

Attachments

Tab 1 -- Draft letters to the Chairman of the USITC and Secretaries of Commerce and Labor

Tab 2 -- STR memorandum to the Economic Policy Group

TAB 1

DRAFT USITC LETTER FOR PRESIDENT'S SIGNATURE

Dear Mr. Chairman:

The President acted on June 11, 1976 to provide import relief to U.S. producers of stainless and alloy tool steel, pursuant to section 202 of the Trade Act of 1974. For this purpose, Presidential Proclamation 4445, as modified by Presidential Proclamation 4477, inserted new provisions in the Appendix to the Tariff Schedules of the United States (TSUS) imposing temporary quantitative restrictions on imports of such steel under new TSUS items 923.20, 923.21, 923.22, 923.23, 923.25, and 923.26.

Pursuant to section 203(i)(2) of the Trade Act of 1974, I request that the Commission advise me of its judgment as to the probable economic effect on the domestic industry concerned if the relief provided by Proclamation 4445, as modified by Proclamation 4477, were to be reduced or terminated by (1) excluding from the quantitative restrictions imposed thereby any of the steel covered by TSUS items 923.20, 923.21, 923.22, 923.23, or 923.26; or (2) increasing the quantitative restrictions for the second and third restraint periods for any of the steel covered by the aforementioned five TSUS items. The Commission's advice in this matter should be provided separately for steel covered by each of the five TSUS items.

I request that the Commission in formulating its advice include, in its consideration and report, data on domestic production, shipments, and employment for the third and fourth quarters of 1976 and the first quarter of 1977. In addition, the Commission's investigation and report should include consideration of available data on: import and export volumes; inventories, unshipped orders, and prices of both domestic producers and U.S. importers; and domestic producers' profits, capacity, and capital expenditures.

This request does not indicate or in any way imply an Administration view or predetermination of this issue.

This matter is of considerable importance. I therefore request that the Commission's advice be provided at the earliest possible time.

Sincerely,

Jimmy Carter

Honorable Daniel Minchew  
Chairman  
U.S. International Trade Commission  
Eighth and E Streets, N.W.  
Washington, D. C. 20431

DRAFT

Honorable Juanita Kreps  
Secretary of Commerce  
Washington, D.C. 20230

Dear Madam Secretary:

Pursuant to section 203(h)(4) of the Trade Act of 1974, I request your advice regarding reduction or termination of specialty steel import relief for steel covered by items 923.20, 923.21, 923.22, 923.23, or 923.26 of the Appendix to the Tariff Schedules of the United States (TSUS). Your advice on this matter should be provided separately for steel covered by each of these five TSUS items and should be submitted to me through the Special Representative for Trade Negotiations.

This matter is of considerable importance. I therefore request that your advice be provided at the earliest possible time.

Sincerely,

Jimmy Carter



DRAFT

Honorable Ray Marshall  
Secretary of Labor  
Washington, D.C. 20210

Dear Mr. Secretary:

Pursuant to section 203(h)(4) of the Trade Act of 1974, I request your advice regarding reduction or termination of specialty steel import relief for steel covered by items 923.20, 923.21, 923.22, 923.23, or 923.26 of the Appendix to the Tariff Schedules of the United States (TSUS). Your advice on this matter should be provided separately for steel covered by each of these five TSUS items and should be submitted to me through the Special Representative for Trade Negotiations.

This matter is of considerable importance. I therefore request that your advice be provided at the earliest possible time.

Sincerely,

Jimmy Carter

DRAFT USITC LETTER FOR STR'S SIGNATURE

Dear Mr. Chairman:

The President, on June 11, 1976, acted to provide import relief to U.S. producers of stainless and alloy tool steel, pursuant to section 202 of the Trade Act of 1974. For this purpose, Presidential Proclamation 4445, as modified by Presidential Proclamation 4477, inserted new provisions in the Appendix to the Tariff Schedules of the United States (TSUS) imposing temporary quantitative restrictions on imports of such steel under new TSUS items 923.20, 923.21, 923.22, 923.23, 923.25, and 923.26.

Pursuant to section 203(i)(2) of the Trade Act of 1974 and section 5(a) of Executive Order 11846 of March 27, 1975, I request that the Commission advise the President of its judgment as to the probable economic effect on the domestic industry concerned if the relief provided by Proclamation 4445, as modified by Proclamation 4477, were to be reduced or terminated by (1) excluding from the quantitative restrictions imposed thereby any of the steel covered by TSUS items 923.20, 923.21, 923.22, 923.23, or 923.26; or (2) increasing the quantitative restrictions for the second and third restraint periods for any of the steel covered by the aforementioned five TSUS items. The Commission's advice in this matter should be provided

separately for steel covered by each of these five TSUS items.

I request the Commission in formulating its advice include, in its consideration and report, data on domestic production, shipments, and employment for the third and fourth quarters of 1976 and the first quarter of 1977. In addition, the Commission's investigation and report should include consideration of available data on: import and export volumes; inventories, unshipped orders, and prices of both domestic producers and U.S. importers; and domestic producers' profits, capacity, and capital expenditures.

This request does not indicate or in any way imply an Administration view or predetermination of this issue.

This matter is of considerable importance. I therefore request that the Commission's advice be provided at the earliest possible time.

Sincerely,

Robert S. Strauss

Honorable Daniel Minchew  
Chairman  
U.S. International Trade Commission  
Eighth and E Streets, N.W.  
Washington, D. C. 20431

TAB 2

THE SPECIAL REPRESENTATIVE FOR  
TRADE NEGOTIATIONS  
WASHINGTON

MEMORANDUM

TO : Members of the Economic Policy Group  
FROM : Robert S. Strauss *by Alan Wolff*  
SUBJECT: Status Report on Specialty Steel Quotas and Steel Trade Issues

Specialty Steel Quotas

The European Community (EC) has repeatedly protested the existence of the U.S. specialty steel quotas and has expressed its concern about curtailment of its specialty steel shipments to the United States. In February the EC formally requested that the U.S. Government initiate the procedures involved in reduction or termination of import relief. In response to the EC request, the U.S. Government indicated that consideration of reduction or termination of import relief would occur after receipt of calendar year 1976 data from the U.S. International Trade Commission (USITC), which would be used to assess the health of the domestic specialty steel industry. The request was reiterated by the EC during regular bilateral consultations held in Brussels last week.

Were the U.S. Government to consider increasing or eliminating the quotas, the first step would be to request advice from the USITC on the probable economic effect on the domestic industry of such action. At the same time, advice would be requested from the Secretaries of Commerce and Labor on whether reduction or termination of relief is in the national economic interest. Having received this advice, a Presidential decision on whether to reduce or terminate relief could be made. Presidential action to remove or increase the quotas can be taken even if the advice from the USITC is negative.

The Trade Policy Staff Committee has reviewed calendar year 1976 data provided by the USITC and recommended initiating a request to the USITC and the Secretaries of Commerce and Labor for advice on reduction or termination of specialty steel relief. It was agreed that such a request should cover all of the product categories currently under quotas (except bearing steel which is already the subject of USITC advice) and the request will specify that USITC advice be

given by product category. I am preparing appropriate letters, on behalf of the President, to initiate these requests as soon as possible.

#### Broader Steel Trade Issues

Many of the problems faced by domestic specialty steel producers are also faced by the entire U.S. steel industry and are shared by foreign steel industries as well. Flagging worldwide demand for steel is a recurrent cyclical problem that is exacerbated by the actions of steel producers in response to a recession. In the current recession the Japanese steel industry has conducted an aggressive steel export drive in order to maintain production and employment. Very low Japanese export prices have been disruptive and resulted in higher import penetration in the U.S. and EC steel markets. This, in turn, contributed to increased protectionist pressures by the U.S. and EC domestic steel industries.

The EC's attempts to deal with the cyclical decline in steel consumption have resulted in voluntary export restraints with Japan, Spain, and possibly several other suppliers. The EC is also scheduled on May 1 to implement a strengthened plan of voluntary controls on domestic sales of steel within the EC and new voluntary guidelines on EC domestic sales prices (minimum reference prices). This plan may increase the possibility of dumping by EC steel producers on the U.S. market and the various voluntary export restraints may cause diversion of steel exports from the EC to the United States.

In the United States the specialty steel quotas are but one manifestation of protectionist pressures by the domestic steel industry and union. The EC-Japanese export restraint arrangement has prompted the domestic producers to file a petition under section 301 of the Trade Act charging the EC-Japanese VRAs have led to diversion of Japanese exports to the United States. There are also dumping complaints against Japanese exports of plate and stainless steel pipe. Also, there is the U.S. Steel case against the EC's rebate of the value added tax (last Friday U.S. Steel filed for a summary judgement based on the recent ruling in the Zenith case against rebate of Japanese commodity taxes). Pressures are building within the industry for additional actions (e.g. a section 332 investigation by the USITC on Japanese steel exports).

The U.S. steel industry has been pressing for an international safeguard agreement (with eventual removal of steel trade barriers once the safeguard procedure is

proved effective) and is firmly committed to seeking long - term solutions. In the interim it is using all available domestic remedies to deal with immediate problems.

Last year the President directed STR to seek a steel sector negotiation in the multilateral trade negotiations (MTN) and the U.S. Government subsequently stated its intent to table a steel sector proposal in the MTN at an appropriate time. In the interim an interagency group has been laying the groundwork for an eventual steel sector negotiation through extensive review of available information and studies, consultations with interested domestic groups, and bilateral discussions with other governments. We are now requesting that a group be established in the OECD to begin multilateral consideration of steel trade problems and of possible solutions. The EC and Japan have agreed to participate in these OECD discussions on steel and the OECD is being asked to prepare a study prior to the beginning of OECD discussions in mid-June.

Attachment 1 summarizes the central issues identified within the U.S. Government to date, for consideration in OECD discussions and subsequent negotiations in the MTN. Attachment 2 is the TPSC paper on specialty steel quotas.

Attachment

Attachment 1

Principal Steel Trade Issues

I. Current

A. Indications of sales at very low prices (e.g. below costs) in the U.S. (especially certain regions and products) and other steel markets, most importantly by Japanese producers.

B. Government intervention in steel trade to ameliorate the effects of recession, particularly EC actions to restrain imports through VRAs (agreed with Japan and sought with Spain, South Korea, Brazil, and South Africa) and allocate domestic market shares in order to raise domestic prices (thus increasing the possibility of dumping by EC producers in the U.S. market).

I. Long Term

A. Prospect of recurring and worsening trade problems during recession periods (typified by the current situation).

B. Growing importance of foreign governments' influence on addition or reduction of steel capacity.

C. High levels of protection in major LDC steel markets.

D. Supply/demand imbalances in certain countries and products due to overbuilding of capacity or sudden structural declines in demand (e.g., the impact of shipbuilding demand on plate).

E. Export restrictions on world supply of ferrous scrap.



THE WHITE HOUSE  
WASHINGTON

May 19, 1977

Secretary Kreps  
Frank Moore  
Jack Watson  
Z. Brzezinski  
Bob Linder

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

Rick Hutcheson

*Poznan Fair*

2

THE WHITE HOUSE  
WASHINGTON

THE PRESIDENT HAS SEEN.

MEMORANDUM TO: THE PRESIDENT  
FROM: Jack Watson  
Jane Frank *Jane*  
RE: President's Representative  
at the Poznan International  
Technical Fair (June 12-21,  
1977)

Frank Moore says that Rostenkowski is the unchallenged representative of Polish interests in the Congress. On this basis, we think Juanita's suggestion is excellent.

Agree

Disagree

May 10, 1977

Attachment

Electrostatic Copy Made  
for Preservation Purposes

*I told  
Danny  
J*



THE SECRETARY OF COMMERCE  
Washington, D.C. 20230

1977 MAY 9 AM 9:54

ok  
J

MAY 6 1977

MEMORANDUM FOR THE PRESIDENT

FROM:

*James M. Press*  
Secretary of Commerce

SUBJECT:

President's Representative at the Poznan  
International Technical Fair (June 12-21, 1977)

Each year the Department of Commerce sponsors a large group of American firms at the Poznan International Technical Fair, the premier foreign commercial event in Poland. It is customary for the President to choose a person to represent him at the Opening Day and America Day ceremonies.

The President's representative to the Poznan Fair is always received by top Polish officials, often including First Secretary Edward Gierek. The President's representative also delivers an address and co-hosts with the U. S. Ambassador a reception during the Fair's America Day, which is tentatively scheduled for June 13.

I recommend that the following person represent you at the Poznan Fair:

Representative Dan Rostenkowski (D-Ill.)

**Electrostatic Copy Made  
for Preservation Purposes**



THE WHITE HOUSE  
WASHINGTON

Date: May 13, 1977

MEMORANDUM

FOR ACTION:

Frank Moore

FOR INFORMATION:

FROM: Rick Hutcheson, Staff Secretary

SUBJECT: Secretary Krep's memo 5/6/77 re President's  
Representative at the Poznan International  
Technical Fair (June 12-21, 1977)

YOUR RESPONSE MUST BE DELIVERED  
TO THE STAFF SECRETARY BY:

TIME: 11:00 A.M.

DAY: Monday

DATE: May 16, 1977

ACTION REQUESTED:

Your comments

Other:

STAFF RESPONSE:

I concur.

No comment.

Please note other comments below:

5/19

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

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

THE WHITE HOUSE  
WASHINGTON

Date: May 11, 1977

MEMORANDUM

FOR ACTION:

Zbigniew Brzezinski

NC (Hornblow)

FOR INFORMATION: Bob Linder

FROM: Rick Hutcheson, Staff Secretary

SUBJECT: Secretary Kreps memo 5/6/77 re President's Representative  
at the Poznan International Technical Fair (June 12-21,  
1977).

YOUR RESPONSE MUST BE DELIVERED  
TO THE STAFF SECRETARY BY:

TIME: 1:00 P.M.

DAY: FRIDAY

DATE: MAY 13, 1977

ACTION REQUESTED:

Your comments

Other:

STAFF RESPONSE:

I concur.

No comment.

Please note other comments below:

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

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