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THE WHITE HOUSE
WASHINGTON

DCF
8/3

DATE: Aug. 1, 1992

TO: S. Skinner

FROM: CLAYTON YEUTTER
Counsellor to the President for
Domestic Policy

file

Sam, with the exception of the one paragraph on p. 4 and a sentence from the subsequent paragraph the Reilly memo is excellent. The journalists, of course, have built their articles around that paragraph and ignored the rest.

The President was not well served by that paragraph.



Reilly Faults Earth Summit Preparation

EPA Chief Likens Rio Experience to a 'Bungee Jump' With a 'Cut Line'

By Michael Weisskopf
Washington Post Staff Writer

Environmental Protection Agency Administrator William K. Reilly, trying to explain the diplomatic isolation of the United States at the recent Earth Summit in Rio de Janeiro, has blamed the Bush administration for playing a "low-key defensive game" in preparing for the conference.

In a post-summit evaluation circulated to all 15,000 EPA employees on July 15, Reilly conceded that the administration assigned a "low priority" to negotiations on protection of forest species, delayed signature of a global warming treaty, waited a considerable time before announcing President Bush's plans to attend and "committed few resources" to the largest environmental conference in history.

"No doubt this contributed to the negative feelings toward the United States," wrote Reilly, who headed the U.S. delegation to the June summit, the highest-level environmental meeting ever held.

Reilly has frequently clashed with conservative White House aides over environmental issues, losing far more battles than he has won. Forced at Rio to publicly defend policies that he opposed privately, Reilly openly voiced his frustration after a diplomatic cable that he sent to the White House was leaked to reporters in Washington, apparently to show that he was overruled once again.

In the EPA memo, he likened his experience to taking a "bungee jump" in which "someone might cut



WILLIAM K. REILLY
... memo assails Bush administration

your line," a more whimsical characterization than he made in Rio where he accused unnamed White House officials of trying to undermine him and the U.S. position.

But the memorandum, written in response to "welcome home" letter signed by 3,000 EPA employees,

was not intended to "point fingers," according to a Reilly aide.

Instead, the memo was designed as a plain-spoken assessment of the summit and what many regard as a public-relations debacle for the administration, said the aide. As the only industrialized nation to oppose tough controls on global warming and treaty protections of forest wildlife and plants, the United States provoked intense criticism from countries in Europe and Asia normally considered to be friendly.

Despite the self-criticism—Reilly attributed the administration's faults to the collective "we"—the EPA chief complained that the press did not "fairly portray" U.S. contributions to the conference. He said, for example, that a speech delivered by Bush at the summit was "well-received."

Nor did he use the memo to openly disagree with the administration's frequently unpopular stances, which were justified by fears—challenged by environmentalists and some members of Congress—that the agreements would be too costly.

"We experienced a public relations setback internationally, counting on the notion that lonely defiance has its champions at home, and when it is principled, it is often vindicated by history," Reilly wrote.



United States
Environmental Protection Agency
Washington, D.C. 20460

JUL 15 1992

The Administrator

MEMORANDUM TO ALL EPA EMPLOYEES

SUBJECT: REFLECTIONS ON THE EARTH SUMMIT

First, let me thank you very much for the warm welcome I received my first day back in the office. I was deeply moved by the declarations of confidence and support thousands of you signed. Not having had a lot of positive reinforcement in Rio it was all the more welcome to come home to some. And particularly satisfying that it came from my own EPA people. So thanks for that.

The United Nations Conference on Environment and Development, the Earth Summit, was a watershed event. In attendance at the Earth Summit were three times as many countries (180) than were present when the U.N. was organized, twice as many as signed the Montreal Protocol, 40,000 participants, 9000 journalists, and over 100 heads of state. It was variously described: by Maurice Strong, Secretary General of UNCED, as "the most important conference in the history of humanity"; and as "a circus," by an anonymous White House staffer who briefed the New York Times on background!

For me personally, it was like a bungee jump. You dive into space secured by a line on your leg and trust it pulls you up before you smash to the ground. It doesn't typically occur to you that someone might cut your line!

The Rio Conference came 20 years after the first great international environmental meeting of recent times -- the Stockholm meeting of 1972. The Stockholm Conference raised the profile of international environmental concerns, and many countries followed up by creating environment ministries. But environment in most countries did not become a priority issue, nor were the trade, economic and foreign policies of nations typically reformed to reflect environmental values. The purpose of the Rio conference was to elevate the environment as a priority, and promote better integration of nations' environmental goals with their economic aspirations.

Expectations for the Rio meeting were very high: for specific treaties on climate change and biodiversity; for a wide-ranging statement of principles on forest conservation and management; for an ambitious Agenda 21 with 900 pages of significant, new

international commitments to better environmental behavior; and for new financial resources sought by developing countries -- one speech by Maurice Strong indicated \$125 billion estimated total annual need, of which he hoped \$25 billion in new money annually would come from the conference. Inevitably, many of those expectations were not met. But what is extraordinary to me is how many were met, and how much the world did achieve. When I visited Brazil last winter to lay the groundwork for a possible visit by President Bush, neither the Brazilians nor I expected so much would ultimately be agreed to at the Conference.

Achievement: Framework Convention on Climate Change. 154 countries committed to decrease harmful levels of greenhouse gases, develop national action plans, and increase scientific research and monitoring. As you know, the United States stood alone in resisting a commitment to targets and timetables for reducing CO₂ emissions. The Treaty agreed to is a sound basis for addressing and periodically reviewing the problem, the science, economics and technology relevant to climate change. And I believe the United States will have little difficulty stabilizing greenhouse gases. In Rio, I proposed all signatories present their action plans by January 1. The European Community said they would need a year. In sum, on climate change, as the British Secretary of State Michael Howard, a barrister, put it to me, "Rarely have I seen a good brief so poorly argued."

Achievement: Convention on Biological Diversity. This treaty addressed the problem of species loss worldwide, with a commitment to national plans and conservation strategies. The United States decision not to sign was the subject of intense controversy and criticism. In public relations terms we never recovered from it. The decision was not based on opposition to the conservation elements of the agreement, which we support, but our financial and legal concerns related to a proposed regime to single out as especially unsafe biotechnology, and language suggesting that intellectual property rights are subordinate to other rights recognized in the Treaty. The financing provisions, leaving authority with the donee, are also unsound. The U.S. early on supported the need for a biodiversity convention so it was a perverse twist that we alone rejected it. In his speech to the Rio Conference, President Bush announced that the U.S. would exceed the conservation goals of the Convention on Biological Diversity and we will work to fulfill that pledge. Furthermore, I believe the Convention and instruments of implementation will likely be revised in the future and accommodate our concerns. Incidentally, I have begun to hear recently some claims that the biotechnology industry did not have fundamental objections to the Convention. Certainly elements of that industry convinced the State Department, Vice-President's office and White House that the Convention did threaten them; no companies communicated any contrary message, even privately.

Achievement: Forestry -- the Declaration of Principles on Forestry and advancement of our "Forests for the Future Initiative," the President's proposal in lieu of a worldwide convention on forests. This Initiative promotes sustainable forest use and also carbon sequestering. The United States and Germany both made forests a priority and committed substantial funds for their protection. I personally negotiated on the Declaration of Principles

and was struck by how offensive developing countries find some of the concepts -- "global forest values," "carbon sinks," "international concern." The forest-owning developing countries genuinely fear as "globalization" or internationalization of their resources. Hence this implacable opposition to a Forestry Convention.

Achievement: Agenda 21 -- perhaps the most remarkable achievement of the conference. 900 pages of action plans -- adopted by consensus by all 180 countries -- present -- on addressing issues ranging from protecting the atmosphere and oceans, guidelines for Environmental Impact Statements, toxic release inventories, public participation, community right-to-know, safe drinking water. Many of these ideas, community right-to-know, TRI, EIS, were championed by the United States. Agenda 21 is an extraordinary new consensus on standards against which to measure the performance of governments. No doubt the press, non-governmental groups and environmental ministries will mine these documents for ideas, and will use them to hold governments and industry accountable for their actions for years to come. Just as in the field of human rights, these declarations will have the force of new expectations and will be a big stick with which to beat recalcitrant governments.

Achievement: The Rio Declaration or the Earth Charter. This declaration, a kind of "Stockholm Two" represents a compromise statement of principles with something for both the developed and developing nations. In a broad sense the Declaration embodies the general positive political emphasis UNCED put on environment and development needs. Its language is not all felicitous but it endorses economic instruments, a first for a U.N. document.

The Rio Conference had far-ranging impacts beyond the individual agreements negotiated:

- * It significantly heightened environmental concern worldwide, and in effect, was a 14 day crash course in environmental education. North and South America, Europe and Japan received saturating press coverage. I don't know about Africa, China or India.

- * It marked the arrival of the international environmental issue as one which will engage questions of trade, energy, technology transfer, bilateral funding, multilateral organizational commitments and structures. It launched the environment as a major new consideration in foreign policy. Prior to Rio, there was a tendency to limit or constrain environmental objectives to other forums, such as the GATT. Now developing nations are beginning to pursue trade and objectives in environmental treaties, where developed countries are finding it difficult to resist them.

- * It created a new and compelling rationale for engagement and cooperation between the North and the South, including funding commitments. Rio marked the arrival of a new basis for developing countries to make demands on developed countries. As traditional security and strategic claims have

waned after the Cold War, developing countries have begun to appreciate that they have a new rationale for demanding concessions from richer countries: how they use their forests and burn fossil fuels, or whether they conserve species all matter to people in developed countries who will pay to influence new policies. Europe and Japan will be more susceptible to these new claims by developing countries than the U.S., I suspect, and this increasingly will isolate us.

* From the conference new and significant financial commitments were drawn from Germany and Japan, and to many marked the arrival by these countries as international environmental leaders. The precedent of a major international agreement being concluded without the United States, was also much commented on. As I mentioned, in my view, the biological diversity treaty will be altered to satisfy the main U.S. concerns. The European Community and Brazil promised as much in their signing statements. In my opinion, a transition is taking place: countries with enormous economic resources are beginning to acknowledge social and environmental obligations commensurate with their economic power. This, in fact, has long been an objective of the U.S. foreign policy and we welcome this shared leadership.

One key question that remains in my view is why was so little asked of the developing countries? The lessons of Eastern Europe - the importance of democracy and free markets - are clear. The lessons of Mexico's experience are also clear. In Mexico, a liberalized economy open to trade and investment has resulted in more than \$25 billion in net inflows of capital over the past few years, an amount that dwarfs any conceivable foreign aid to which they might have aspired. And now Mexico is spending one percent of their GNP on the environment. We are in a new era where trade, not aid, will provide needed resources. I was virtually alone in pointing to these realities but because of the U.S. position on biodiversity I simply was not heard.

Another key question, frankly, is why did the United States play such a low-key defensive game in preparing for Rio? We assigned a low priority to the negotiations of the biodiversity treaty, were slow to engage the climate issue, were last to commit our President to attend Rio. We put our delegation together late and we committed few resources. No doubt this contributed to the negative feelings toward the United States.

I feel strongly that the press did not fairly portray the U.S. contribution to the conference, yet it is the impression many took away. The President's speech was well received in view of the fact that we considered the content of agreements a substantive success. We experienced a public relations set back internationally, counting on the notion that lonely defiance has its champions at home, and when it is principled it is often vindicated by history.

Where do we go from here? We will need to continue the momentum of international cooperation on the environment, especially with Europe and Japan, and work to articulate more clearly the real reforms needed in developing countries, where arguments about the conditions placed on assistance will inevitably ensue. I suspect all governments worldwide will need to adjust to the higher environmental expectations of our own people.

I'll close with a book recommendation I consider required reading: Changing Course by Stephen Schmidheiny. It lays out a path for the future of environmental leadership for industry, by someone who has championed that cause.

Finally, if the new world order does not result in a new, higher priority for planetary stabilization -- the oceans, atmosphere and forests and the rest -- it will be disappointing to many. If it does, it will demand a new sophistication and capacity to integrate our economic priorities with new international environmental priorities on the part of governments and their leaders.


William K. Reilly

THE SECRETARY OF EDUCATION
WASHINGTON

DCF HAS SEEN

SAM -

fill

thanks for your note. And I like
your availability for the 7 a.m.
mess breakfast. I'll come by
whenever I have something.

But -

AUGUST 4, 1992

Chan

THE WHITE HOUSE
WASHINGTON

August 3, 1992

*Howe
5/27/92*

TO: Chief of Staff

FROM: **PHILLIP D. BRADY**
Assistant to the President and
Staff Secretary

The attached has been forwarded
to the President

Cabinet correspondence



THE SECRETARY OF THE INTERIOR

WASHINGTON

July 30, 1992

DCF HAS SEEN

Manuel Lujan, Jr.

Dear Mr. President,

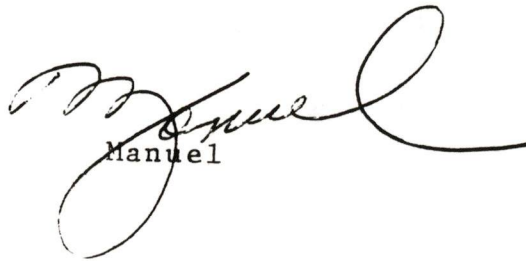
During last week's Cabinet meeting, you asked that we forward suggestions for your convention speech. Since that time, in campaign trips to Dallas, Los Angeles, El Paso, Lubbock and Amarillo, I have been asking people what they believe we can do to turn this thing around. Their replies indicate that there are three basic issues that bother them. One is the "read my lips" issue; another is the perception that we are not strong enough on the issues and there is too much compromise (people do not understand that the legislative process is compromise), and the general anti-incumbent feeling. I believe these can be turned around.

The first should be addressed and put to bed by saying, "Last year, in a compromise with Congress, I signed a tax bill which I now regret having signed. It was an effort, on my part, to bring the Congress around to reduce spending. Time has shown us, however, that the democrats in Congress continue their old spending habits and so my efforts were in vain. In the future, I shall not be so willing to compromise." As one person put it, become a "born-again no new taxes advocate." Someone can put this thought into better words.

The other two issues could be addressed by making a commitment to those proposals which you have already proposed--choice in education, balanced budget, line item veto, NAFTA, health care certificate, malpractice reform, limiting criminal appeals and others--in the

strongest possible terms and call on Congress to show good faith by enacting these measures. There is, of course, your excellent foreign affairs record and certainly there are many more issues.

The Clinton campaign has cleverly put behind them all the issues raised during the primary season, including his character and draft record, and moved forward. They have created an unfavorable picture of our efforts. We can reverse that and move forward.



Manuel

Dear Mr. President,

Harry and two of our
kids and their spouses were able
to go to Camp David because of
your kind invitation. We
had a wonderful time with
each other and with the
entire Inauguration. ^{Secretary of Labor}
To you and Sarah, thank you
for the opportunity.

THE WHITE HOUSE
WASHINGTON

DATE: Aug. 3, 1992

DCF HAS SEEN

TO: S. Skinner

FROM: CLAYTON YEUTTER
Counsellor to the President for
Domestic Policy

File

Note attached article. Treasury agrees that the SII process has run out of steam, and we need a new approach to U.S./Japan economic issues. We discussed the matter this morning at the PCG on semiconductors, and I asked Olin Wethington of Treasury to chair an ad hoc sub-cabinet level group to evaluate how to terminate the SII gracefully and replace it with a fresh approach of some kind. Warren Maruyama of my staff, who formerly worked for me at USTR, has already done some thinking about this.

Depending on what emerges, this could be a good story for the President between now and November.

CY

**TWO ORPHANS FLEEING
SARAJEVO KILLED**

ZAGREB, Croatia -- Snipers killed two orphan children being evacuated from Sarajevo by bus Sunday as fighting in the Bosnian capital reached new levels of intensity.

U.N. spokesman Mik Magnusson condemned the evacuation in a BBC interview: "To me it borders on being criminally negligent to take children... into a known war zone."

The unescorted bus carrying 50 orphans was attacked along "sniper alley" en route to meet German officials in Split.

Dozens of civilians were killed over the weekend as ethnic Serbs continued fighting to block independence of a Muslim-dominated Bosnian state. "The situation is worse now than when I arrived," said Maj. Gen. Lewis Mackenzie, the departing U.N. commander. (Tom Squitieri, USA Today, 1A)

**UNIQUE U.S. APPROACH TO JAPAN
TRADE TALKS RAISES QUESTIONS**

TOKYO -- With the U.S.-Japanese trade imbalance zooming this year toward record levels of red ink for the American side, top officials from the world's two richest countries met here last week for the most important bilateral trade negotiations of 1992.

The American team agreed that Washington will "make an effort" to eliminate the \$400 billion U.S. budget deficit. The Japanese agreed to "make an effort" to reduce housing costs in Japan by about 30% -- a task that is, at the very least, as utopian as balancing the U.S. budget.

"When you look at what they achieved, you have to ask: What's the point?" said John Stern, Tokyo representative of the American Electronics Association. "Should we really spend all this energy and taxpayer's money on a process that will not increase the exports of any American product or service?"

The process in question is the Structural Impediments Initiative -- called "SII" by diplomats -- a new kind of trade negotiation the Bush Administration launched with fanfare in 1989.

The idea, based on the work of scholars such as Chalmers Johnson of the University of California at San Diego, is that basic structural change in Japan's economy and society is required to remove built-in impediments to American imports.

The Bush Administration has held firmly to the SII approach during three years of recurring negotiations. President Bush himself expressed his desire to "revitalize" the initiative during his ill-fated trip to Japan in January.

Outside government, however, some of the most successful sectors of U.S. industry are moving in the opposite direction.

(News Analysis, T.R. Reid, Washington Post, A12)

**PACT MAY PAY
OFF AT POLLS**

The Bush Administration is pushing to complete last-minute details of a free-trade pact with Mexico before the Nov. 3 election, hoping that a signed deal will boost public confidence in the languishing U.S. economy.

The Bush Administration acknowledges that the trade pact will cause some losses in certain industries and has pledged to set up a program to help workers who lose their jobs because of the agreement.

The International Institute of Economics, a Washington-based research group that supports free trade, recommends that at least \$1.2 billion be set aside over five years for such a program. The institute estimates that about 150,000 jobs will be lost by 1995 because of the agreement.

The Economic Policy Institute, a Washington research group sympathetic to labor, says the trade agreement would cut 290,000 to 555,000 jobs over 10 years and cut an average of \$1,000 from the yearly wage of 70% of the nation's workers.

Specific industries will gain from the deal, including financial services, banking, agriculture, steel, pharmaceuticals and transportation. The U.S. textile industry hopes to use the agreement to stem imports from Asian countries.

(Ann Veigle, Washington Times, A1)

EDITOR'S NOTE: Several newspapers, including the New York Times and Wall Street Journal, had not arrived by News Summary deadline.

Ed

Please get up to speed on the differences between our Farm Policy and Clintons. Sen. Mitch McConnell tells me there are many and he would be a disaster for Farnes. He thinks we are in the Hunt in Ky. because of Clinton's Bad Farm Policy. Go out and kick some butt.



State/Metro news

Star Tribune



Tuesday
August 4/1992
Read then recycle

1B

Sen

Madigan visit sows politics but reaps confusion

By Dane Smith
Staff Writer

A news conference Monday that featured U.S. Secretary of Agriculture Edward Madigan was billed by the Bush-Quayle Minnesota campaign as an effort to "outline the differences" between the farm policies of President Bush and Democratic challenger Bill Clinton. But Democrats wound up doing the attacking.

A few minutes into the conference at the State Capitol, Madigan said he was "just not familiar" with Clinton's proposals and had no idea how they differed with those of the Re-



publican administration. He said he thought his Twin Cities appearance was supposed to be a routine availability, and a Bush-Quayle spokesman afterward acknowledged a "mix-up in communications" about the purpose of the news conference.

Afterward, John Wodele, the state coordinator of Clinton's campaign, distributed several pieces of literature attacking Bush, outlining Clinton's proposals and describing economic

and social problems in rural America.

During the news conference, Madigan said that farm income had reached an all-time high, that farm debt was declining, that exports to Japan and Canada were increasing and that citizens who depend on agriculture should support Bush, but cited no background material for the statements. He also acknowledged that his trip was political in nature. Minnesota campaign officials said Madigan was to attend a fund-raiser for Bush.

Wodele later disputed Madigan's as-

sertions about farm debt and income, saying the debt had dropped partly because of a record number of bankruptcies. Citing dislocations of the mid-1980s under the Reagan-Bush administration, Wodele promised that Clinton "won't stand by the sidelines" while rural America struggles.

However, Wodele also acknowledged that Clinton is not advocating an overhaul of current federal farm policies, a complex structure of price supports, income subsidies, import restrictions and export incentives designed to encourage production and to supplement farmers' income.

One Clinton position paper states: "Our current farm programs, properly managed, can bring reasonable prices for producers while guaranteeing a safe and stable food and fiber supply for consumers."

The Clinton campaign, perhaps overreacting to an expected attack that never materialized, also distributed a compilation of embarrassing information involving Madigan, none of it related to farm policy.

It included news reports about Madigan's expenditure of \$750,000 in public funds to spruce up his Agriculture Department offices and his writ-

ing of 49 check overdrafts while a House member from Illinois. The list was given to reporters with no indication of the source, but Wodele later acknowledged that it came from the Minnesota Clinton campaign.

Wodele expressed regret about those attacks and said he himself refused to use the information when provided with it by a newly arrived Clinton official. "I said I didn't want to use it but I should have been more firm and insisted that it not be used," Wodele said. He attributed the tactic to the state headquarters' making the transition to control by national campaign officials.

THE WHITE HOUSE
WASHINGTON

DCF HAS SEEN

August 4, 1992

MEMORANDUM FOR SAM SKINNER

FROM: DORRANCE SMITH *DS*

SUBJECT: OLYMPIC EVENT

Showed POTUS
[Signature]

The U.S. Summer Olympic Reception/ Barbecue is proceeding apace. The sequence of events is outlined as follows:

1. Athletes arrive -- Closed Press
2. Marine Band Music
3. Announcement of President & Mrs. Bush -- Open Press
4. POTUS Remarks -- Open Press
5. Olympian Remarks & Flag Presentation -- Open Press
6. Team Photo (South Portico) -- Open Press
7. Receiving Line/ Individual Photos (Oval Office Terrace) -- Closed Press
8. Picnic -- Closed Press
9. Entertainment -- Open Press
10. Depart

- * The Olympic athletes will arrive by buses from the McLean Hilton. We're currently expecting an Olympic contingent of 500-600.
- * The formal ceremony will be staged on the South Portico. Team members, in uniform, will line the staircase, and will be positioned on risers similar to the '88 Reception (Open Press).
- * The President will make brief remarks to an audience of coaches, officials, White House Senior Staff, and Cabinet Members and spouses who will be standing and facing the South Portico at the very north end of the South Lawn (Open Press).

THE WHITE HOUSE

WASHINGTON

- * The President and Mrs. Bush will take a position on the middle riser for a team picture (Open Press).
- * At this time, the Press will be escorted to the Briefing Room, where they will remain during the picnic until the entertainment begins.
- * The President and Mrs. Bush will proceed to the terrace area outside the Oval Office. Olympians will meet the President and Mrs. Bush, and have individual photos (Closed Press).
- * Meantime, the picnic begins. Hot dogs, hamburgers, Dove Bars (Closed Press).
- * Entertainment TBD (Open Press).
- * Brief thanks to the entertainer and athletes by POTUS followed by departure (Open Press).

cc: Marlin Fitzwater
Dave Demarest

THE WHITE HOUSE
WASHINGTON

Showered
POTUS

DATE: Aug. 4, 1992

JCF HAS SEEN

TO: S. Skinner

FROM: CLAYTON YEUTTER
Counsellor to the President for
Domestic Policy

Sam, some of this is jargon, but
it's a good summary of where we stand
on ethanol at the moment.

As you can see, Treasury is committed
to providing an analysis of the ETBE tax
proposal by tomorrow.

A handwritten signature in black ink, appearing to be 'C. Yeutter', with a long horizontal stroke extending to the right.

THE WHITE HOUSE

WASHINGTON

August 3, 1992

MEMORANDUM FOR CLAYTON YEUTTER

FROM: TERESA GORMAN

SUBJECT: Summary of Ethanol Meeting

Attached is a preliminary list of the items agreed to at today's staff meeting. This list covers most of the items listed on the first page of Todd Sneller's handout. They do not, however, include several items listed on the second page of his handout which are considerably more radical in nature.

Treasury hopes to have an estimate of the tax implications of the ETBE proposal on Wednesday.

Attachment

I. ETHANOL RELATED INITIATIVES AGREED TO

A. REFORMULATED GASOLINE:

1. **Expedite the development and the optional use of the unrestricted complex model by 1995.** EPA intends to issue a proposed rule on the complex model by November 1992, and a final rule by March 1993. Since this initiative will require a change to the "reg-neg," EPA would like to discuss this change with the environmental community. Because of the importance of ensuring the release of the complex model, USDA suggested that the final rule on the simple model be held up until the final rule on the complex model is ready. EPA agreed to a less stringent option of holding the final rule on the simple model until the agency proposes the complex model in November.

2. **Establish toxic and NOx neutrality.** The current EPA proposal uses an MTBE blended gasoline to establish the toxic reduction standard. Recent information, however, suggests that this will disadvantage ethanol, which has been shown to achieve slightly less reductions than MTBE, but still meet the statutory requirement. EPA agreed to modify the "reg-neg" to correct this imbalance.

Recent data also indicate that NOx emissions increase with greater oxygenate use. Fortunately, this increase is comparable between MTBE and ethanol. As a result, EPA does not expect a problem in achieving neutrality with respect to NOx emissions.

3. **Scientific analysis of RVP and ozone formation.** EPA and USDA agreed to continue their analysis of Graboski's work and to seek final resolution of these technical issues when the complex model is proposed for public comment.
4. **Establish an RVP credit trading program.** Everyone agreed to the concept of a trading program for RVP credits. The trading program would provide ethanol blenders the additional option of buying credits in order to meet the oxygenate requirements. EPA and USDA agreed to restrict the trading to geographic areas, while DOE requested that trading be allowed nationally. DOE's opposition, however, appeared to soften with discussion.

5. **Administration support for pro-rating the excise tax for ethanol.** The Administration should continue to remind the ethanol industry of its support for pro-rating the excise tax.
6. **Summarize, and potentially refocus, current research activities on lowering the cost of producing ethanol.** According to USDA, the ethanol industry believes there is a significant bias in EPA and DOE research toward methanol. Furthermore, what money is spent on ethanol-related issues appears to the industry to be poorly focused. USDA suggests a new research initiative that would establish a target of some kind (they propose a consumption target) to help focus agency research efforts. While agencies supported the idea, they did not discuss or agree to a specific target.

B. OXYGENATE PROGRAM FOR CO AREAS

1. **Immediate release of the oxy-fuel regulations.** OIRA has held up the rule pending a decision on Boston and the oxygenate caps. Now that a decision has been made, OIRA will be able to move quickly on the rule.
2. **Participation by all 39 cities.** Based on the message I received, I assume this means the inclusion of Boston in to the regulatory program.
3. **No Waiver from the 2.7 percent oxygenate standard.** Again, based on the message received, I assume that we have reached agreement to discourage waivers from the 2.7 percent requirement. At issue is whether EPA has the authority and is willing to turn down a waiver request from California. According to EPA, California has a unique problem in that it exceeds the national standard for NOx. EPA would not commit to opposing a waiver application for California (and to a lesser extent New York) until it sees the petition.

C. TAX MODIFICATIONS

1. **Non-Taxable (ETBE) Blender Tax Credit.** An interagency technical group met this morning for two hours to discuss the issue. A Treasury paper and graph handed out suggests that the current tax treatment for the excise tax and the tax credit should have the same effect, assuming that the refiner has income against which to take the credit. (See attached chart.) According to Treasury, making the ETBE tax credit nontaxable will give the industry another 28 cents per gallon subsidy.

In response to questions raised over the details of the program, the following model runs were requested of Treasury:

-- estimate the increased ethanol use and tax implications if one assumes the tax credit is: (1) refundable; and (2) non-refundable.

-- estimate the increased ethanol use if one assumes the credit is extended: (1) throughout the year; and (2) only during the summer months.

Treasury also promised to evaluate the effects of the AMT on the ability of firms to realize the full tax benefits. According to Energy, the Senate energy bill has an amendment that would allow blenders to deduct the tax under the AMT provisions.

The interagency technical group will meet again tomorrow morning at 9:30 am. Treasury hopes to have preliminary estimates by Wednesday.

2. **Tax credit for alcohol used as a fuel by State and local governments.** While the group was not opposed to this idea, they viewed the proposal as having only a marginal impact and potentially not worth the trouble. An agreement was reached to have Treasury study the budget implications of the proposal once it finished with its analysis of the ETBE tax credit issue.

II. ETHANOL RELATED ISSUES NOT AGREED TO

1. **Ensure no one family of oxygenates control more than 70 percent of ozone area markets.** No one supported this proposal at the meeting.
2. **Upstream enforcement at refinery.** Although it is not clear what the ethanol industry is seeking on this point, DOE would prefer a dramatic change to the "reg neg" that would eliminate downstream compliance determinations in favor of compliance determinations at the refinery gate. EPA opposes because it would require a significant restructuring of the "reg neg."
3. **Lower RVP fuel for attainment areas.** DOE also proposed that the Administration consider lower the general RVP standards for attainment areas. According to DOE, this would provide a market for the butanes and pentanes that are removed to produce sub-RVP fuel. As a result, they believe this would help lower the cost of producing sub-RVP fuels. DOE did not have an immediate estimate of the effect of this proposal. EPA adamantly opposed the proposal. USDA was silent.

THE WHITE HOUSE
WASHINGTON

file

Aug. 4 1992
DATE ~~DCF HAS SEEN~~

TO: SEE DISTRIBUTION

FROM: EDE HOLIDAY ~~NY~~
Assistant to the President and
Secretary of the Cabinet
2nd Floor, West Wing, x2174

*SHOW ED
ROTUS*

At my suggestion, Bill Reilly turned
his statement into a letter to the
editor of the New York Times.

Attachment

DISTRIBUTION:

Sam Skinner
Clayton Yeutter
Marlin Fitzwater
Judy Smith



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON, D.C. 20460

AUG - 3 1992

New York Times
229 West 43rd Street
New York, New York 10036

THE ADMINISTRATOR

To the Editor:

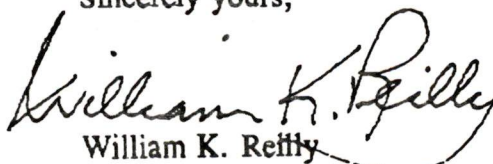
The distortion of the intent and content of my memorandum to all EPA employees, "Reflections on the Earth Summit," on Saturday, August 1, is symptomatic of the problem the Bush Administration has experienced in getting fair press coverage for an environmental record that is substantive, significant, and impressive. This country and the President have an environmental record second to none.

The memorandum, dated July 15, 1992, was written two weeks ago to EPA's 18,000 employees to provide my personal views about why this country's strong record on the environment -- much of it achieved by them -- accounted for so little in all the news reports on the Rio conference. My memo tried to correct the imbalance in press reports by pointing to the implicit tribute to U.S. achievements reflected in the Rio agreements, even the biological diversity convention which we chose not to sign.

While the memorandum briefly reflects on a variety of preliminary issues leading up to the Rio conference, the bulk of the memo focuses on significant U.S. accomplishments at this important international gathering. They were many and they will have lasting impact. Indeed, any fair story on my Rio memo would report on the impressive achievements I cited therein: a framework convention on climate change that commits the community of nations to a responsible course of action; a declaration on forest principles and a bold initiative by the President to double U.S. bilateral aid for forests; Agenda 21 -- the 900 page blueprint for environmental improvement in the 21st century, much of it drawing on U.S. experience on environmental impact assessment, toxic release inventories, public participation, and so on; and a convention on biological diversity. The United States has stronger laws, spends more money, and takes the protection of endangered wildlife more seriously than virtually any other country on earth. That we ultimately did not sign this convention at this point reflects serious concerns relating to financing and protection of intellectual property rights that had nothing to do with protecting biological diversity.

Thus, a fair reading of the memo I wrote to EPA employees, in response to their warm expression of support greeting me when I returned home, makes clear that substantively the conference was a success for the United States and for the environment.

Sincerely yours,


William K. Reilly



PETE WILSON
GOVERNOR

State of California
GOVERNOR'S OFFICE
SACRAMENTO 95814

DCF HAS SEEN

TELEPHONE
(916) 445-2841

August 4, 1992

Mr. Samuel K. Skinner
The White House
Washington, D.C. 20500

Dear Sam:

Thank you for your correspondence recommending
Robert J. Breakstone for a judicial appointment.

I value your recommendation and it will be taken
into consideration when I review this appointment.

Sincerely,

PETE WILSON



STATE OF ILLINOIS

Illinois Commerce Commission

TERRENCE L. BARNICH
COMMISSIONER

August 4, 1992

STATE OF ILLINOIS CENTER
100 WEST RANDOLPH STREET
SUITE 9-100
CHICAGO, ILLINOIS 60601

The Honorable Sam Skinner
Chief of Staff
White House
Washington, D.C. 20500

Dear Sam:

At the recent G-7 meetings, the seven addressed the question of how to deal with the closing of the unsafe Chernobyl-type plants in the CIS. I think I have an idea that may be helpful. Attached is an op-ed piece I wrote that appeared in the Chicago Tribune and Washington Times, which outlines a solution of mutual benefit for the CIS and the U.S., which will not cost the Treasury any money. It will, at the same time, address the problem of the "Soviet" nuclear warhead stockpile.

Since the publication of the op-ed piece I've been contacted by Ahlstrom Pyropower, a boiler contractor, about a plan they've proposed to the State Department to re-power to gas and coal the most unstable and dangerous of the CIS nuke plants using a debt-equity swap for the \$5 billion owed to Treasury by Russia. My plan and Ahlstrom's plan together could be the basis for a grand plan that the President could announce as part of the "new world order" that conceivably could provide a solution to five problems:

- Closing the dangerous Chernobyl plants
- Providing needed electric generating power for the former Eastern Block countries
- Securing the "Soviet" military grade warhead uranium/plutonium
- Retire the Russian debt and provide actual payback to Treasury, and
- Lessen the cost of uranium fuel to American nuclear power customers.

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August 4, 1992

The beauty of it is that it will accomplish these five goals without taxpayer money; in fact we could realize a profit from it by basing it all on market mechanisms.

The Ahlstrom plan being kicked around at State and Treasury should be modified by my amendment and given a push from the White House, if it's of any interest to the President.

I am at your disposal.

Sincerely,

A handwritten signature in dark ink, appearing to be 'T. Barnich', with a large loop at the start and a horizontal stroke at the end.

Terrence L. Barnich
Commissioner

TLB/kar
Enclosure

Chicago Tribune

FOUNDED June 10, 1847

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20 Section 1

Saturday, July 25, 1992

Solving the other nuclear problem

By Terrence L. Barnich

The failure of the leaders of the G-7 Western industrial powers to come to an agreement on assuring the safety of deteriorating nuclear power plants in Eastern Europe and the former Soviet Union is not a failure to agree upon the need for a solution to the problem. Rather, it is a failure to agree on the means to a workable solution. And they failed here because of their inability to see the problem in the larger context of the task of smoothly carrying out the "denuclearization" of the Commonwealth of Independent States (CIS).

This task involves the linked problems of reducing "Soviet" military capacity and redirecting a massive industrial and personnel infrastructure away from nuclear armaments, and making the CIS and former Eastern-bloc civilian nuclear power plants safe and reliable sources of electric energy to support economic resuscitation and sustained development. In short, the larger challenge for the West is how to turn the "Soviet" nuclear swords into benign nuclear power plowshares.

German Finance Minister Theo Waigel correctly identified one half of the problem when he reportedly stated that Western aid should not be used simply to repair dangerous plants but "to change the whole energy policy in these states so they can conserve energy, develop alternative energy sources and thereby create more leeway for shutting down plants that are unsafe."

The prospect of "Chernobyl II—Lenin's Revenge" coming to us real-time via CNN seems greater than the potential for nuclear extortion—even by a black-market trade in warheads.

The dilemma facing the G-7 and the countries served by the 11 Chernobyl-type pressurized water reactors and the 42 newer, somewhat less unsafe power plants, is that promptly protecting the world from vegetables and milk that glow in the dark is either very costly or impossible at any price. The \$20 billion price tag discussed by the G-7 for upgrading these power plants to standards which we in the West would still consider well below acceptable will prove too much for too little.

President Bush and Russian President Boris Yeltsin set the stage for resolution of the other half of the problem by their historic, unparalleled concord to remove most of the weapons that terrified the world for a generation. By their agreement thousands of missiles and bombs must be disarmed and many thousands more warheads must be disassembled. But, assuming the money can even be found to do all of that, there are major problems of secure storage and verifiable destruction of equipment. And there will be a mountain of weapons grade uranium-235 and plutonium-239. And thousands of Russians in the military nuclear program will be without the only jobs they have ever known.

But the two halves of the nuclear problem left over

from the collapse of communism are not as disparate as a first look might indicate. In fact, the solution to both problems—and to others, may have a common root. And it is a solution which can solve some problems here at home.

The aid package that was rejected in Munich represented the kind of traditional international welfare system in which funds are simply doled out to a needy country and which all too often miss hitting the target.

Instead, approaching this as a "closed system" of problems, and relying upon a market-based approach to solving it may give rise to a solution that may indeed solve this whole series of linked problems.

The U.S. system for producing power plant-grade uranium is costly, inefficient and ridden with government waste. Furthermore, there is an ongoing controversy in Congress over efforts to get the civilian electric industry (read: electric utility customers) to pick up a multibillion-dollar deficit that has accrued in the program over the years. Oddly, the "Soviet" uranium mining and enrichment industry is more up-to-date and far less expensive than our own.

With more than one hundred operating nuclear power plants in the U.S. and with a like number in the other G-7 countries taken together, there exists already a major market that could be served by a new competitive supply of uranium. Electric customers would benefit to the tune of billions of dollars in fuel cost savings through such competition.

Therefore, I propose an Operation Plowshare, founded solidly on the tried-and-true free market principles that won the Cold War in the first place. First, the electric utilities of the G-7 countries should be permitted to enter into contracts with the CIS to purchase power plant-grade nuclear fuel on the following conditions:

- The purchased uranium must have been processed from "diluted" warhead fissile material.

- The proceeds, after accounting for the direct costs of the processing, would have to be invested in modern, environmentally correct power plants fueled by locally produced natural gas or coal and designed to replace the worst of the operating nuclear plants in the East.

- Only those nuclear plants considered capable of being upgraded would be kept on line over the longer term.

- The oil, gas and coal industries must be migrated into privatized firms which will have the incentive to produce efficiently and to repair and maintain what is now as decrepit a production and delivery system as exists in the nuclear power industry.

Second, in furtherance of this arrangement the president should immediately order the U.S. Commerce Department to rescind its decision to raise uneconomic trade barriers to the importation of CIS uranium fuel.

There is one final point. The job of "denuclearizing" the CIS will be one of the biggest and most important since the restoration of Western Europe after World War II. There needs to be a full-time leader of the effort whose stature will help mobilize world opinion and personify the critical nature of the task.

Terrence L. Barnich is a commissioner of the Illinois Commerce Commission.

THE WHITE HOUSE
CORRESPONDENCE TRACKING WORKSHEET

INCOMING

DATE RECEIVED: AUGUST 07, 1992

NAME OF CORRESPONDENT: THE HONORABLE TERENCE L. BARNICH

SUBJECT: COMMENTS REGARDING THE CLOSING OF THE UNSAFE
CHERNOBYL-TYPE PLANTS IN THE CIS

		ACTION		DISPOSITION	
ROUTE TO: OFFICE/AGENCY	(STAFF NAME)	ACT CODE	DATE YY/MM/DD	TYPE RESP	C COMPLETED D YY/MM/DD
SAMUEL SKINNER		ORG	92/08/07		
REFERRAL NOTE:					
REFERRAL NOTE:					
REFERRAL NOTE:					
REFERRAL NOTE:					
REFERRAL NOTE:					

COMMENTS: ENCLOSURE

ADDITIONAL CORRESPONDENTS: MEDIA:L INDIVIDUAL CODES: 2130

CS MAIL USER CODES: (A) (B) (C)

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*****
*ACTION CODES:      *DISPOSITION      *OUTGOING      *
*                  *                  *CORRESPONDENCE: *
*A-APPROPRIATE ACTION *A-ANSWERED      *TYPE RESP=INITIALS *
*C-COMMENT/RECOM      *B-NON-SPEC-REFERRAL *      OF SIGNER      *
*D-DRAFT RESPONSE      *C-COMPLETED      *      CODE = A      *
*F-FURNISH FACT SHEET *S-SUSPENDED      *COMPLETED = DATE OF *
*I-INFO COPY/NO ACT NEC*                  *      OUTGOING      *
*R-DIRECT REPLY W/COPY *                  *                  *
*S-FOR-SIGNATURE      *                  *                  *
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LETTER AT ALL TIMES AND SEND COMPLETED RECORD TO RECORDS
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EXECUTIVE OFFICE OF THE PRESIDENT
COUNCIL ON ENVIRONMENTAL QUALITY

August 4, 1992

DCF HAS SEEN

MEMO TO: SAM SKINNER
CLAYTON YEUTTER
FROM: MIKE DELAND



Attached is an editorial and excerpts from a Q&A with the Cincinnati Enquirer during my recent visit.

A strong case can be made that George Bush is the environmental President. If we continue hammering away, I'm confident we can neutralize the environment as an issue and, in some parts of the country, put Clinton and Gore on the defensive.

I obviously remain ready to help spread the word wherever and whenever it's helpful.

Enclosure



A Gannett Newspaper

THE CINCINNATI ENQUIRER

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Environment

Clinton needs a 'new covenant' to promise he will stick to facts

To hear Arkansas Gov. Bill Clinton tell it, President George Bush has all but ignored the environment. The truth is, Bush has done much for the environment, as Michael R. Deland, chairman of the president's Council on Environmental Quality, made clear in a Q&A interview with *The Enquirer* during a visit to Cincinnati last week.

Take the 1990 Clean Air Act, which introduced market incentives to reduce sulphur dioxide emissions. Firms can trade emission permits that let them reduce emissions overall, while making allowances for individual needs. If an area has to reach a certain reduction level, polluters and regulatory agencies can work it out for the benefit of all concerned, including the public. That may mean one firm surrenders part of its emission allowance so another can qualify for more leeway. It means air quality can be improved without ruining the economic environment by wiping out industry and jobs.

It cost Bush points among conservatives who think the act is more regulatory overkill, but for all it is claimed to do to clean the air, it still didn't win him any gold stars among environmentalists. Why?

The answer might be distortion of the record by Bush's critics.

Clinton's charge that the Bush administration is short-changing en-

forcement of environmental laws, for example, scarcely squares with the 72% increase in the Environmental Protection Agency's (EPA) enforcement budget since the president took office. In 1989-90 alone, EPA collected 40% of all civil penalties the agency has won since it was created 22 years ago.



Bill Clinton

Nor does Clinton's charge that Bush's trip to the Grand Canyon was a mere "photo op" square with the fact the president signed an agreement that environmentalists claim will improve visibility there by reducing air pollution by more than 90%, at enormous cost to power plants — the "fat cats with smokestacks" that Clinton running-mate Al Gore accuses Bush of pampering.

We expect microscopic examination of the candidates' records — but not through a carnival magnifying glass that distorts our vision. That is why many Americans are so cynical about the political process. If Clinton wants a "new covenant" with the people, he'd better promise to stick to the facts.

Neither candidate has a spotless record on the environment; both have polluted the air with distortions. To consider their strengths and weaknesses, Americans need a breath of fresh air: the truth.

Bush official defends 'the en'

Michael R. Deland was appointed chairman of President Bush's Council on Environmental Quality in 1989. Before that, he was New England regional administrator for the U.S. Environmental Protection Agency. The council advises the president, acts as conciliator between federal agencies and by statute serves as guardian of the environmental impact statement process. He was interviewed by The Enquirer editorial board during a visit to Cincinnati on July 21.

Q: Does the Bush administration feel it has resolved the spotted owl issue?

A: That's a tough one, because it pits an individual species against individual jobs, and that's a no-win situation. What we have been trying to do is ... look more broadly at these kinds of issues from a eco-system management basis to avoid the spotted-owl case of the future. ... That clearly in our judgment is the way to do it: To manage not species by species but on an eco-system basis.

Q: Democratic vice presidential candidate Al Gore said the loggers can be retrained but the first priority should be to save the species. Do you agree?

A: We recognize that the species needs to be saved but so too do the jobs of those individuals. President Bush has said on numerous occasions that unemployment is at 100% for any given person who is out of work. Yes, people can be retrained, but that is a protracted process. I think the plan that has been arrived at makes sense both for the owl and for the timber industry.

Q: Are some conservatives correct in saying the 1990 Clean Air Act was regulatory overkill?

A: The Clean Air Act is a major breakthrough in that it's the first of our federal environmental statutes which has a market-incentive component to it: namely, the tradeable permits for sulphur dioxide (emissions). That is a forerunner we would like to see in all other federal environmental statutes. The act will go a long way toward giving Americans the healthy, clean air they have long wanted and deserve.

Q: Can you give an example of

another federal statute where tradeable permits could be introduced?

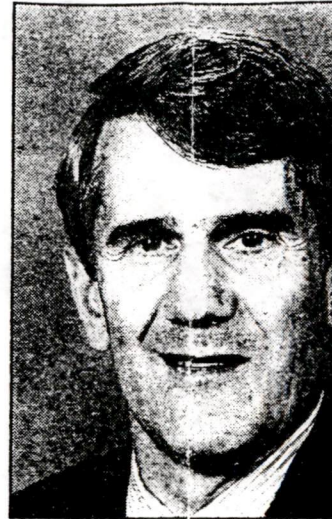
A: It could be introduced in numbers of them — in the reauthorization of the Clean Water Act, where we hope there could be trading systems. In the president's wetlands proposal, we have a series of proposals for categorizing wetlands which would enable one to set up a banking scheme for wetlands much along the lines of the Clean Air Act. The underpinning is the president's belief that we need to engage the imagination and creativity of the private sector in protection of the environment. ... Three-quarters of the nation's wetlands are privately owned. So if one wants to choose, as the president does, a goal of no net loss of wetlands it's axiomatic that you have to engage the private sector to do it.

Q: If you get into permit trading on wetlands, won't you be accused as you were with the Clean Air Act of "letting industry off the hook"?

A: There will be some who might make those allegations but we have talked to many in the environmental community and they are enthusiastic about endorsing the concept. ... Another thing we are looking at is taking a regional approach to wetlands, because a wetland in this area is different from one in the Pacific Northwest or in Louisiana. And yet the regulatory scheme right now is one that would treat all wetlands countrywide.

Q: Has environmental protection been undermined by the President's Council on Competitiveness?

A: The rationale for the council is very simple: We are spending \$130 billion as a nation annually to protect the environment, which is far more than any other nation. ... So the intent is to see that those monies are well-spent. Clearly, some regulations are more cost-effective than others. There are some that have been on the books for many years that simply don't perform the function for which they were intended or do so in a way that is infinitely more expensive than a streamlined version. The old clean-air statute required scrubbers on all utilities here in this part of the country because of acid rain. Scrubbers were put on at great, great expense. Now we have a system of tradeable permits which allows the pri-



Michael Deland
... put risk into perspective

vate sector to sort out the costs and benefits and can get to greater environmental protection at much less cost.

The philosophy is much in line with a commission the president has set up in his behalf: namely, the President's Commission on Environmental Quality which is composed of many of the largest corporations in the country, leaders of environmental academia and foundations. At its core is the concept of preventing pollution at the first place rather than spending billions of dollars to clean up a mess at the end of the pipe.

Q: Is the United States as dependent on petroleum today as it was four, eight or even 10 years ago?

A: We are less dependent. We are trying to come up with a balanced mix. The president's proposed energy plan is balanced in that for every new oil barrel that's added through exploration and increased production, there is one barrel that's saved through conservation. We are trying to encourage natural gas, alternative fuels, energy efficiency, so we can wean ourselves off dependence on oil in general and oil in particular.

Q: Haven't we been say

THE WHITE HOUSE
WASHINGTON

DCF HAS SEEN

August 10, 1992

Bill

MEMORANDUM FOR SAM SKINNER

FROM: EDE HOLIDAY *EH*

SUBJECT: Nightline Segment on Ohio Incinerator

EPA has just informed us that ABC TV's "Nightline" program will air a segment tonight on a controversy surrounding the construction of a waste incinerator in East Liverpool, Ohio. WTI is an American subsidiary of VonRoll Corp., a multinational firm based in Switzerland. WTI has sought permission to construct and operate a state-of-the-art waste incinerator and has been working for the better part of a year in obtaining the necessary permits from EPA. The proposed project, however, has generated a great deal of opposition from environmental groups, some members of which recently occupied Bill Reilly's office to demonstrate their opposition.

At this point, EPA has indicated their intention to issue a temporary permit authorizing a test burn of the facility, pending the submission of a test burn plan by WTI and the resolution of a question relating to ownership of the plant. Environmental groups and some members of Congress have opposed this action. Both EPA and the Governor's office take the position that once all legal prerequisites have been satisfied, WTI is entitled to the temporary permit.

cc: Marlin Fitzwater
Bobbie Kilberg
John Kline

Telecopy

Bill

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To:

Sam Skinner

Telecopy #

456-1121

From:

Nick Brady

Telecopy # (202) 622-0000

Telephone # (202) 622-0190

Number of pages to follow

12

Date

8/5/92

Per our conversation.

NEVER AGAIN?
A 3rd Anniversary Report on Bush's S&L Bailout

DNC Research
August 4, 1992

BUSH'S BOTCHED BAILOUT

What We Know...and What We Don't

WHAT WE KNOW	WHAT WE DON'T KNOW
Bush's bailout is costing us at least three times what he promised -- over \$500 billion including interest costs.	What it will end up costing us in the end.
We're getting only 80 cents on the dollar for the assets we sell -- and we still have \$128 billion in assets left to go. (LAT, 7/14/91)	How Tim Ryan, Bush's thrift czar, helped an old fraternity brother buy the Centrust Tower for \$6 million less than the highest bidder (American Banker 12/17/91)
Some \$7 billion in assets were simply lost by Bush's western regional office. (WP, 1/16/92)	Where the \$7 billion went.
Nearly 8,400 S&L cases remain unprosecuted. (GAO, Feb. 6, 1992)	Why Ken Good, Neil's S&L pal, still walks the street.
We've paid off at least \$8 billion to wealthy depositors with accounts over the \$100,000 insured limit (House Banking Committee, 1991)	Why Bush can be so generous with our money.
Besides his first \$105 billion, George Bush has also spent another \$163 billion of our money for "losses and working capital." (Public Citizen, March 1992)	Whether we'll ever get this money back.

SUMMARY

Three years ago this coming Sunday, President Bush declared that he needed \$50 billion to clean up the S&L mess and assured America that he had "put in place permanent reforms so these problems will never happen again." (Bush Statement, Rose Garden, August 9, 1992). If only it were so.

In fact, the same problems are happening with Bush's bailout -- again and again. The key points:

- ***The cost of the Bush bailout is now three times the original estimate*** -- creating a \$500 billion debt that could have paid for every education program from pre-school to college for four years with enough left-over to fund cleanup of our 20,000 toxic waste sites. (WP, 1/5/92)

Thanks to Reagan-Bush deregulation, America's future has gone down the economic drain. We'll spend the 1990s throwing \$500 billion down a black hole while Germany invests \$500 billion for the future. (Washington Times, 9/7/90)

- ***The same people who got us in the S&L mess are the ones who are reaping most of its benefits.*** Lawyers and accountants for some of the biggest S&L crooks are now getting up to \$600 per hour (and over \$700 million all told) to work on the bailout (WSJ, 11/21/91). One new S&L sales program is funneling lucrative contracting fees of \$125 million per month to select Wall Street firms -- a program that increases the cost of the bailout by billions of dollars (American Banker, 7/21/92). And special deals for Bush Administration pals abound -- see "Revolving Door" attachment.

- ***The crooks still aren't paying.*** George Bush has not delivered on his promise that "those who try and loot the savings of their fellow citizens deserve, and will receive, swift and severe punishment." (Presidential Documents, 8/9/89). Cases involving Bush cabinet members Ed Derwinski and Ed Madigan

sit idle (Nat'l Law Journal, 7/13/92); key GOP fundraisers face federal S&L suits (NYT, 5/13/92); and less than one percent of court-imposed S&L fines have been collected. (WP, 2/7/92)

■ ***Bush's bailout is wasting money left and right.*** The House Banking Committee calculated in 1990, for example, that the RTC had paid out nearly \$8 billion in funds to depositors above and beyond the \$100,000 insured limit. (Staff Report, 9/25/90) The RTC and FDIC have also spent taxpayer dollars on t-shirts, mugs and more -- according to the House Banking Committee, the RTC spent \$3,098 for 36 RTC mugs and 12 RTC golf shorts; \$7,364 for 3,000 copies of an Asian cookbook; guest chairs at \$490 each; and \$177,000 for artwork at the FDIC's new William Seidman Center. At least three FDIC offices also spend \$8,000 per year for Muzak. Meanwhile, new rules were passed that make S&L regulators eligible for bonus pay. (National Mortgage News, 11/25/91)

■ ***Bush is busy deregulating banks and S&Ls...again.*** The S&L mess was caused when Reagan and Bush "de-supervised" S&Ls in the 1980s -- and literally took the banking cops off the beat. Now Bush is doing it again: for both S&Ls and banks. See "Deregulation" attachment for details.

■ ***No wonder bank experts think the banks are next...they are.*** There is plenty of evidence that there will be a December Surprise -- a multi-billion dollar bailout for banks. The expected tab: a cool \$70 billion. (New Republic, 8/29/92) Bush is trying to hide the mess by giving banks until after the election to begin paying back the \$70 billion bank fund loan they got last year. This move to shore up the banks, announced on April 7, was called "politically based" by finance expert Edward Kane (WP, 4/8/92; Southern Finance Project, May, 1992) Even worse, William Seidman, formerly chief of the FDIC, warns that even \$70 billion may not be enough. (WP, 10/17/91)

For more information contact:
Dan Carol, 202/863-8020

Bush Makes It Easy for S&L Criminals...

While George Bush pledged to get tough with S&L crooks, he has failed to deliver the goods.

- The RTC has inexplicably dismantled the legal team responsible for going after S&L crooks; as many of half of its 70 person staff are being replaced. The delays caused by the reshuffling will allow the statute of limitations to run out on as many as 200 cases. (WP, 6/4/92)
- Total loan losses from cases under prosecution equal more than \$7.4 billion but fines have totaled only \$12.6 million -- a recovery rate of just .17% (WT, 10/24/91)
- Even the few S&L crooks that are getting caught are getting off easy. The average prison sentence for a bank robber is five times that meted out to white collar crooks who loot S&Ls. (Public Citizen, 1991)

...But Makes It Hard for Low-Income Americans To Share in the American Dream

Democrats in Congress insisted that Bush's 1989 bailout include special provisions to allow low-income Americans the chance to buy foreclosed single-family homes from the Resolution Trust Corporation. Yet even here, Bush is letting S&L insiders make off with the loot:

- Carmen Chavez-Luzan, a state worker in Austin, Texas, was prepared to bid \$59,000 for a house with a swimming pool. But she was eventually told that the house had been sold for \$33,000 to a real estate insider. "It just caused me a great deal of anger," said Luzan. (WSJ, 6/25/91)
- A Houston real estate broker formed a medical charity to front for the purchase of RTC-owned homes for only \$500 each. Each sale cost the agency \$778 more than donating the houses to low-income families or local housing agencies. (San Antonio Light, 6/9/91)

BUSH DEREGULATING THE S&LS AND BANKS...AGAIN

Ten years ago, Reagan and Bush argued that deregulating S&Ls, and reduced thrift oversight and examinations, were critical to restoring the health of the industry. A decade -- and \$500 billion later -- it is clear that they were dead wrong.

But still President Bush is doing it again -- this time justifying his deregulatory initiatives as a necessary antidote to the credit crunch. No matter that William Seidman, former FDIC head disputed the assessment: "Overregulation is only a small part of the problem...concluding that regulators are the cause of this situation is not a sound evaluation." (Nat'l Mortgage News, 11/25/91) Bush's deregulatory drumbeat goes on and on -- posing a new threat of higher taxpayer liabilities.

- In October, 1991, the Bush Administration tries to impose a new appeals system to allow banks to bypass the decisions of front-line federal regulators. One Bush official described the system to bankers this way: "This would be an opportunity to voice your complaints at a higher level without fear of retribution." (LAT, 10/2/91)
- In December, 1991, hundreds of bank and S&L field regulators are summoned to Washington for "guidance" on regulatory treatment of real estate loans. Regulators are asked to sign a form "acknowledging that they understand the new guidelines." (NMN, 12/23/91) GAO Head Charles Bowsher calls the message delivered to examiners "potentially dangerous to the maintenance of a safe and sound banking system". (Southern Finance Project, 12/16/91)
- In January, 1992, bank regulators announce that they would no longer require banks to disclose highly leveraged transactions on their books -- concealing risky nine figure loans in a desperate attempt to prop up ailing banks. (Charlotte Observer, 3/28/92)
- In February, 1992 in an effort to prop up sick banks, the Federal Reserve reduces the amount of cash that banks must keep on hand to cover losses. (Boston Globe, 2/19/92)
- In April, S&Ls are allowed to branch across state lines without additional safeguards or capital requirements. Notes Congressman Bruce Vento: "It is the very thing that the S&L industry wants -- less regulation." (WP, 4/3/92)

THE BANK BAILOUT: HOW MUCH DID YOU SAY?

As all Americans know, the Reagan Administration pretended in 1988 that the S&L problem didn't exist. After the election, however, we were told that the hole would cost \$50 billion to fill.

Sadly, on the question of a bank bailout, it looks like it's "S&Ls all over again." In July, 1990, the Bush Administration said that "we can handle anything we can foresee now." Since then, the bank problem has grown and grown (see table below).

All told, as a result of these spiralling bailout costs, the Congressional Budget Office reported that about one of every three dollars in U.S. domestic discretionary spending has gone to bank and S&L payouts in 1991 and 1992.

<i>THE COUNT</i>	<i>THE AMOUNT</i>
Aug. '90: The Bush Administration says the bank fund is short.	\$ 2 bil.
Sep. '90: Bush revises his projection of the shortfall.	\$ 6.8 bil.
Feb. '91: Bush proposes "recapitalizing" the fund.	\$ 10-15 bil.
Feb. '91: Oops. Bush doubles his estimate.	\$ 30 bil.
Mar. '91: Estimate bumped again. First talk of taxpayer bailout.	\$ 70 bil.
Oct. '91: FDIC's Saidman warns \$70 billion may not be enough.	\$ 70 bil. plus
Apr. '92: Bush delays bank premium increase until 1993.	\$?????
Dec. '92: Expect a December Surprise.	\$?????

BUSH S&L REVOLVING DOOR: It Just Goes Round in Circles

Many of the same people who helped cause the S&L mess are now some of its biggest beneficiaries and key players

David Stockman

Then: OMB budget director who helped cut S&L supervision staff in the early 1980s.

Now: Partner in the Blackstone Group, which recently bought \$275 million in S&L assets for less than 30 cents on the dollar. (Southern Finance Project, 1991)

Richard Hohlt

Then: Chief lobbyist for the U.S. League of Savings Institutions during the high-flying 1980s.

Now: Advisor to investors buying \$500 million of S&L assets -- with \$400 million of government financing and no interest for 7 years (NYT, 10/7/91)

Gerald Jacobs

Then: An Arizona real estate lawyer later sued for participating in "sham" deals with a now-defunct S&L.

Now: The General Counsel of the RTC and a possible defendant in a \$1.3 billion racketeering lawsuit. (WP, 6/20/92).

Robert Moody

Then: General partner for a group that defaulted on \$6.3 million of S&L loans.

Now: Real estate marketing specialist for the RTC in Tampa. (Thrift Liquidation Alert, 12/16/91)

Charles Hurwitz

Then: Hurwitz's United Financial Group buys and manages an S&L which fails at a cost to taxpayers of \$2 billion.

Now: Still under investigation for the United case, Hurwitz's Maxxam Corporation is now a busy buyer of RTC assets -- using our money (LAT, 4/26/92; WP, 4/16/91)

Robert Burns

Then: An Arizona developer who defaults on \$150 million in loans, leading to an FBI investigation.

Now: Buying land from the RTC through his Panamanian company to make an instant profit of \$242,000. (WSJ, 6/12/92)

William Thiel

Then: President of Empire of America, a giant thrift that went belly up in January, 1990.

Now: Consultant to a company that bought most of Empire's best assets, netting Thiel \$600,000. (WSJ, 4/3/91)

Alan Greenspan

Then: In 1985, Greenspan worked on Charles Keating's behalf to convince federal regulators to ease federal investment restrictions on Lincoln Savings.

Now: Greenspan fails to recuse himself when the Federal reserve takes the unusual step of lending Lincoln \$98 million to pay off large depositors. Normally, Fed loans are made to banks, not S&Ls. (WP, 7/27/91)

THE S&L PROBLEM: A QUICK CHRONOLOGY

Experts agree that the gushing losses suffered by the S&L industry are due largely to severe cuts in thrift oversight by the Reagan Administration, state and federal deregulation, regional economic troubles in the Southwest, poor management, and in many instances downright fraud by S&L executives. (DPC Fact Sheet 101-6). A decade of highlights:

1982: Reagan Cuts S&L Oversight

The Reagan Administration makes severe cuts in thrift examination and oversight staff, just as S&L institutions are given new investment powers. In Texas, the number of S&L examiners drops from 54 to 12 between 1981 and 1985. Notes a House investigating committee: "the OMB's repeated refusal to consider the requests of the Federal Home Loan Bank Board for greater resources during the first half of the decade contributed to untimely detection of misconduct in numerous institutions which subsequently failed." (See "Combating Fraud, Abuse and Misconduct in the Nation's Financial Institutions" House Government Operations Committee, October 13, 1988).

Former Reagan Bank Board appointee Roger Martin agrees: "We certainly should have put the cops on the beat to watch it, but we didn't." (Frontline, 10/22/91)

1982-1984: George Bush Goes On the Job

As the number of failing banks and S&Ls begins to increase in the early 1980s, George Bush is assigned an important mission by President Reagan: "strengthen our ability to maintain a safe and sound financial system." This mission is not accomplished.

For two years, from 1982 to 1984, George Bush chairs the Task Force on Regulation of Financial Services. Unfortunately, the task force ends up saying and doing little about the emerging S&L crisis. One of the task force's few recommendations affecting S&Ls actually calls for less federal oversight in favor of greater state regulation of S&Ls. Yet liberal state rules in many states actually allow thrifts to get into new speculative investment ventures, including junk bonds, thereby putting the Federally-

backed insurance fund at increased risk. (Task Force on Regulation of Financial Services, 1984; DPC Fact Sheet 101-6)

1985-1986: Golden Days at Lincoln and Silverado

Fueled by junk bonds and daisy chain dealings, high-flyer S&Ls like Silverado (CO) and Lincoln (AZ) use federal deposit insurance as a launching pad for speculative and potentially fraudulent ventures in real estate. In fact, between 1984 and 1987, fraud or misconduct will be discovered in 80 percent of the troubled thrifts that receive federal aid. Yet key figures in the Administration choose to ignore these developments. From the recent book *Inside Job* (Pizzo et. al): "In 1988, a meeting was held at the White House with select members of the White House staff and a handful of Republican Congressmen. One of those attending the meeting said he was astounded to hear a close advisor to the President conclude that the best cure for the thrift industry was to 'keep moving in the direction of the Charles Keatings. They're the only hope.'"

During this same time frame, in December, 1985, George Bush himself meets with Charles Keating to discuss Keating's complaints about too much regulation (National Mortgage News, 10/15/90)

1987 and 1988: The Stone Wall Era

For most of 1987 and 1988, M. Danny Wall, President Reagan's chief thrift industry regulator, insists that the losses created by more than 500 hopelessly bankrupt thrifts are "manageable" and that the Federal Home Loan Bank Board can handle the problem alone (NYT, 6/26/88). Wall first predicts in early 1987 that the cost of the bailout will be \$16 billion; then a few months later he raises the estimate to \$31 billion; then to \$50 billion just before last November's Presidential election.

1989: Bush "Solves" The S&L Problem

Faced with growing S&L losses, Bush proposes a comprehensive bailout package supported by both Democrats and Republicans in Congress. Bush insists, however, that financing for the bailout be placed off-budget -- to hide the true costs from taxpayers. (Congressional Quarterly Almanac, 1989)

1990: The Bailout Unravels

The Bush bailout plan unravels even faster than the skeptics predicted. Just months after George Bush declares "never again", bailout czar William Seldman indicates that between \$20 and \$50 billion in additional "working capital" will be needed on top of the \$164 billion already requested by the Administration in August (NYT, 2/22/90). Then in March, 1990, the Bush Justice Department quietly approves new powers for the Resolution Trust Corporation to use to borrow whatever additional working capital it needs using the ultimate "gold card" -- the federal Treasury.

DCF HAS SEEN



THE EXECUTIVE OFFICE BUILDING

SHOWN ED
FOR US

EXECUTIVE OFFICE OF THE PRESIDENT
COUNCIL OF ECONOMIC ADVISERS

Date:

August 6, 1992

Please deliver to:

Secretary Skinner

FAX number of addressee:

X 1121

Telephone number of addressee:

X 6797

From:

Michael J. Boskin

FAX number of sender:

X 3012

Telephone number of sender:

X 5042

Number of pages, including cover sheet:

21

1. While I am pleased (deeply concerned) that the unemployment rate declined (rose) X percent and Y thousand new jobs were created (lost) last month, I will not be satisfied until every American who wants a job has one.
2. That is what my short-run economic stimulus program is designed to accomplish. It is time for Congress finally to put the nation's interest above partisan interest and pass my tax incentives to spur growth and create jobs, so we can ensure a strong recovery and rapid reduction of unemployment.
3. Some good pre-cursors of stronger growth are in place. For example, interest rates and inflation are at their lowest level in a generation, creating conditions for sustained growth, for example, as millions of American families reduce their home mortgage interest payments.
4. My long-run economic reform proposals--tax incentives, controlling the growth of government spending, reining in unnecessary regulation and litigation, reforming our education and health care systems, and expanding trade--will help sustain the recovery and increase family income and the pace of growth.

FYI:

5. The unemployment rate in July was ___ percent, down (up) from 7.8 percent in June. The household survey reported ___ thousand fewer (more) unemployed persons.
6. ___ thousand jobs were created in July, the most since _____.

DCF HAS SEEN

SHOW
ROTAS

EXECUTIVE OFFICE OF THE PRESIDENT
COUNCIL OF ECONOMIC ADVISERS

Date:

August 6, 1992

Please deliver to:

Secretary Spitzer

FAX number of addressee:

X 1121

Telephone number of addressee:

X 6797

From:

Michael J. Baskin

FAX number of sender:

X 3012

Telephone number of sender:

X 5042

Number of pages, including cover sheet:

21

1. While I am pleased (deeply concerned) that the unemployment rate declined (rose) X percent and Y thousand new jobs were created (lost) last month, I will not be satisfied until every American who wants a job has one.
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6. ____ thousand jobs were created in July, the most since ____.

STATE OF ARIZONA
EXECUTIVE OFFICEFIFE SYMINGTON
Governor

FAX TRANSMITTAL

DCF HAS SEEN

Show SD
70705

TO:

~~Susan Sly~~ Sam Skinner
Chief of Staff's Office

FAX NO: 202/456-1121

FROM: Carol A. Henderson
Secretary to Governor Symington

DATE: Thursday, August 6, 1992

RE: Letter to President Bush

- ~~Mr. Skinner~~ Susan, could you please make sure that this letter is forwarded to the President. Thanks for your help.

TOTAL PAGES INCLUDING THIS ONE: 2

If you do not receive all pages or have a problem with receiving,
please call Carol Henderson at (602) 542-1374.

Facsimile Number: (602) 542-7601



STATE OF ARIZONA
EXECUTIVE OFFICE

FIFE SYMINGTON
Governor

August 5, 1992

The Honorable George Bush
President
Washington, D.C

Dear President Bush:

I just wanted to send you a personal note of encouragement. In all my life I have never seen media bashing on the scale that you have sustained for these many months.

Bill Clinton's new covenant offers another voyage on the Democrat's Lost Arch.

You are a great President and, I believe, you will win the election in November once the battle is officially joined after the Republican Convention.

Ann and I have never lost faith in you and truly believe that you are the best qualified person to lead this country. Let us know if there is anything we can do to help you. Please give our fondest regards to the First Lady. We will deliver Arizona in November.

Best regards,

A handwritten signature in dark ink, appearing to read "Fife".

Fife Symington
GOVERNOR

FS:cah

THE WHITE HOUSE

WASHINGTON

August 7, 1992

DCF HAS SEEN

MEMORANDUM FOR SAM SKINNER

FROM:

EDE HOLIDA
GREGG PETERSMEYER

SUBJECT: HIGH RANKING WOMEN WITHIN THE ADMINISTRATION

In response to your memo, we recommend the following courses of action at the Convention to highlight the President's outstanding record of appointing women to high ranking positions within the Administration:

- o The President could drop by the GOP Women Leadership Forum Wednesday, August 19.
- o The President could drop by a reception hosted by a Republican women's organization in honor of the President and his female appointees.
- o All senior female appointees should appear on the podium as a group for public recognition by the convention.
- o All female Republican candidates should appear as a group on the podium for public recognition by the convention.

With respect to long-term recommendations to be implemented after the convention in conjunction with campaign activities, we recommend that you consider the following:

- o Ensure that more women appointees accompany the President to all events, and are placed "front and center" within the view of the cameras. This should include South Lawn departures where the President is customarily seen with an all male entourage;
- o Designate more women as official spokespeople and representatives for the Administration at public events and increase the number of press briefings conducted by women in the White House briefing room as has been done recently (with Gail Wilensky of OPD and Carolynn Reid-Wallace of Education);

- o Use more female surrogates to appear on morning news programs, news magazine shows, and weekend talk shows;
- o Always mention women appointees and their achievements in speeches and remarks, and acknowledge their presence first at all stops.

THE WHITE HOUSE
WASHINGTON

DCP HAS SEEN

File

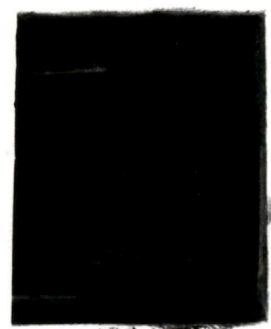
DATE: 8/7/92

NOTE FOR: NICK CALIO

The President has reviewed the attached, and it is forwarded to you
for your:

Information ☒X

Action ☐



Thank you.

PHILLIP D. BRADY
Assistant to the President
and Staff Secretary
(x2702)

cc: Samuel K. Skinner
Ron Kaufman

THE WHITE HOUSE
WASHINGTON

JULY 28 1992 P 3: 56

MEMORANDUM FOR: THE PRESIDENT

FROM: NICHOLAS E. CALIO *NEC*

SUBJECT: LETTER FOR YOUR READING FILE

Enclosed is a letter which you received from a Member of Congress today.

Sen. Al D'Amato (R-NY) "I am deeply upset by the newspaper stories which terribly mischaracterize my remarks in response to a question at a convention Monday morning. In no way does the grossly overblown interpretation of an offhand remark reflect the great affection and trust I have in you as our President and leader. It is my confirmed belief that you are the man we need as President and that you deserve the re-election mandate which the people will give you this fall. I profoundly regret that any words of mine were interpreted to cast doubt on the confidence the country has for your continued leadership. I want to assure you that I will do everything in my power to attain your victory in November. Toward that end, I continue to work with the Victory '92 Committee and the whole New York Republican Party to see that every possible effort is made to make my state truly "Bush Country."

talled to P. Amato 8-4-92
accepted his apology.
2 P. 2
asked Calio to
Ron to
should reply
I want to
back
EB
7-21
file

DISCUSSION ITEMS FOR THE CHIEF OF STAFF

DATE: August 12, 1992

SUBJECT	SKS	STAFF
1. Mary Fisher's proposal for Presidential AIDS Task Force See Tab F		
2.		
3.		
4.		
5.		
6.		

DISCUSSION ITEMS FOR THE CHIEF OF STAFF

DATE: Thursday, August 13, 1992

SUBJECT	SKS	STAFF
1. Review Schedules for Thursday and Friday	_____ _____ _____	_____ _____ _____
2. Smith-Corona SEE TAB A	_____ _____ _____	_____ _____ _____
3. Calio and Gray Memos on Legislative Appropriations Bill SEE TAB B	_____ _____ _____	_____ _____ _____
4. Labor Day Speech SEE TAB C	_____ _____ _____	_____ _____ _____
5. ALEC Speech SEE TAB D	_____ _____ _____	_____ _____ _____
6. Bob Dole letter re "Citizens Charter" SEE TAB E	_____ _____ _____	_____ _____ _____

DISCUSSION ITEMS FOR THE CHIEF OF STAFF

DATE: Thursday, August 13, 1992

SUBJECT	SKS	STAFF
1. Mary Fisher's proposal for Presidential AIDS Task Force SEE TAB F		
2.		
3.		
4.		
5.		
6.		

DISCUSSION ITEMS FOR THE CHIEF OF STAFF

DATE: Wednesday, August 12, 1992

SUBJECT	SKS	STAFF
1. Review Schedules for Wednesday and Thursday		
2. Smith--Corona See TAB A		
3. Calio and Gray Memos on Legislative Appropriations Bill See TAB B		
4. Labor Day Speech See TAB C		
5. ALEC Speech See TAB D		
6. Bob Dole letter re "Citizens Charter" Tab E		

THE WHITE HOUSE
WASHINGTON

8/12/92

To Sam Skinner

From Bob Grady

file

fax

TALKING POINTS IN FAVOR OF LOWER DEFICITS

Beneficial Effects of Reduced Deficits

- o Eliminating the chronic budget deficits would raise the rate of national saving, lower interest rates, and increase capital formation and growth. This, in turn, would lead to higher incomes and living standards.
- o By expanding the nation's economic potential, greater Government saving will make it easier for society to meet the full range of private and Government obligations.
- o Increased Government saving will also reduce net interest payments which have been absorbing a growing proportion of the Federal budget. This will free resources to address other budgetary needs.
- o Deficits are unfair to future generations. We are borrowing from the future, not in order to invest, but to pay for the consumption of the present. The interests of future generations, which are not being protected by the representatives of current voters, require the protection of a constitutional amendment.
- o Chronic budget deficits would make it extremely difficult for the social security system to honor its obligations to future retirees without substantial increases in payroll taxes and/or reduction in benefits.

Need to Slow Spending Growth

- o Inattention to "Mandatories". The deficit cannot be seriously addressed unless the growth of mandatory programs is slowed. The 1990 Budget Enforcement Act only capped discretionary expenditures. A balanced-budget amendment would force Congress and the President to slow mandatory spending.
- o Inability to Eliminate Programs. The President has proposed the elimination of 246 outdated or ineffective programs and over 4,000 unnecessary projects. Not a single one of these proposals has yet been enacted.

THE WHITE HOUSE
WASHINGTON

DCF HAS SEEN

August 13, 1992

File

MEMORANDUM FOR SAM SKINNER

FROM: D. ALLAN BROMLEY

Adan

SUBJECT: ABSENCE FROM THE OFFICE

I will be out of the country on personal leave August 14-28, 1992. My office will know where and how to contact me if necessary.

This is a family vacation planned for over a year in Canada.

I regret that we have not had the opportunity to become better acquainted during the past few months, but look forward to working with you on your new campaign role. It has been a pleasure being part of your team with warmest best wishes.

Sincerely

Adan

File

THE SECRETARY OF COMMERCE

WASHINGTON, D.C. 20230

August 28, 1992

**MEMORANDUM FOR THE HONORABLE SAM SKINNER
CHIEF OF STAFF**

**THE HONORABLE CLAYTON YEUTTER
COUNSELLOR TO THE PRESIDENT FOR
DOMESTIC POLICY**

**THE HONORABLE CARLA HILLS
U.S. TRADE REPRESENTATIVE**

FROM: BARBARA HACKMAN FRANKLIN

**SUBJECT: LETTER TO THE EDITOR OF
THE WALL STREET JOURNAL**

Attached is a copy of a letter I wrote to the editor of the Wall Street Journal. This letter responds to one by James Bovard criticizing the so-called "Trade Expansion Act" passed by the House this June. I used this as an opportunity to make the case for creating American jobs and economic growth through increasing exports -- another chance to get out the message.

THE SECRETARY OF COMMERCE

WASHINGTON, D.C. 20230

June 15, 1992

Editorial Page Editor
Letters to the Editor
The Wall Street Journal
200 Liberty Street
New York, NY 10281

Dear Editor:

I applaud James Bovard's characterization of the recent House-passed trade bill as simply the latest attempt by Congress to scuttle world trade ("Summer Trade Follies," July 13).

The so-called "Trade Expansion Act" is a clear case of Congressional product mislabeling. It would have the exact opposite effect. By creating trade restrictions of our own, which could prompt retaliatory measures by our trading partners, the House bill all but certainly would lead to a decline in worldwide trade. In turn, shrinking U.S. exports would have a decidedly adverse impact on this nation's economic growth. The bill's sponsors could do well by taking a lesson or two on trade from the President and from U.S. business.

President Bush more than any of his predecessors has vigorously pushed for open markets and for expanded opportunities for exports of U.S. products and services. As Secretary of Commerce, I hear constantly from American business people who recognize the reasons for this focus on exports: Exports have contributed some 70% of U.S. economic growth during the past three years and created millions of new jobs. In fact, every \$1 billion in U.S. exports supports the creation of more than 19,000 new U.S. jobs.

Successful conclusion of trade talks on the North American Free Trade Agreement and the Uruguay Round of GATT will further expand our export-led economic growth. As the current economic recovery continues, what this nation needs most is to focus on expanding trade and exports, not on adopting legislation that will restrict our economy.

Sincerely,

A handwritten signature in black ink, appearing to read "Barbara Hackman Franklin". The signature is fluid and cursive, with a long, sweeping underline.

Barbara Hackman Franklin

THE WHITE HOUSE
WASHINGTON

File

DATE: Aug. 12, 1992

TO: S. Skinner

FROM: CLAYTON YEUTTER
Counsellor to the President for
Domestic Policy

Sam, I don't see anything here that is sufficiently appealing to merit inclusion in the acceptance speech next week. But I'll have it staffed out to see whether some of it might fit in elsewhere between now and November.

A handwritten signature in dark ink, appearing to be 'CY', with a long horizontal line extending to the right.

United States Senate

OFFICE OF THE REPUBLICAN LEADER

WASHINGTON, DC 20510-7020

August 4, 1992

The Honorable Sam Skinner
Chief of Staff
The White House

Dear Sam:

Here is some background material on the idea I mentioned to you on the phone -- the "Citizens Charter" which was one of the principal themes of John Major's winning campaign.

I hope you will read carefully the covering memo from my staff to me, and go through some of the background material -- and then include what you think is appropriate in the President's reading file.

It seems to me that, properly shaped and sold, this idea offers us a good way to tap into that real vein of dissatisfaction that Perot was exploiting, and turn it to the advantage of the President. It might be one good core theme for the President's acceptance speech in Houston.

Let me know what you think, and the President's reaction.

Sincerely yours,



BOB DOLE ,