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Record Group/Collection:	George H.W. Bush Presidential Records
Collection/Office of Origin:	Chief of Staff, White House Office of
Series:	Sununu, John, Files
Subseries:	Cabinet Agencies Files

OA/ID Number:	29191
Folder ID Number:	29191-006

Folder Title:
Yeutter (Agriculture) (1990)

Stack:	Row:	Section:	Shelf:	Position:
G	15	25	7	1

Withdrawal/Redaction Sheet
(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
01. Memo	From John Sununu to Brent Scowcroft Re: Statement by Yeutter (1 pp.)	10/26/90	P-5	

Collection:

Record Group: Bush Presidential Records
Office: Chief of Staff, White House Office of
Series: Sununu, John, Files
Subseries: Cabinet Agencies Files
WHORM Cat.:
File Location: Yeutter (Agriculture) (1990)

Open on Expiration of PRA
(Document Follows)
By JP (NLGB) on 10/28/05

Date Closed:	12/14/2004	**OA/ID Number:**	29191-006
FOIA/SYS Case #:	1998-0004-F[1]	**Appeal Case #:**	
Re-review Case #:	2005-0426-S	**Appeal Disposition:**	
P-2/P-5 Review Case #:		**Disposition Date:**	
AR Case #:		**MR Case #:**	
AR Disposition:		**MR Disposition:**	
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RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

P-1 National Security Classified Information [(a)(1) of the PRA]
P-2 Relating to the appointment to Federal office [(a)(2) of the PRA]
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PRM. Removed as a personal record misfile.

Freedom of Information Act - [5 U.S.C. 552(b)]

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(b)(9) Release would disclose geological or geophysical information

THE WHITE HOUSE
WASHINGTON

DATE: October 26, 1990

TO: GENERAL SCOWCROFT

FROM: **GOVERNOR JOHN H. SUNUNU**

Should we respond to this in any way?

Statement

News Division, Office of Public Affairs, Room 404-A, U.S. Department of Agriculture, Washington, D.C. 20250

AC/ER

Statement

by

SECRETARY OF AGRICULTURE CLAYTON YEUTTER

October 24, 1990

I am frustrated and disappointed by the European Community's recent decision to halt all imports of U.S. pork products on October 31, 1990, and beef imports by the end of the year. This ban on meat imports is absurd.

The recent EC action, like the previous ban on hormone-treated beef, is unequivocally a non-tariff trade barrier. There is no scientific basis for prohibiting the import of U.S. pork and other meat products. The United States' hygiene standards for meat products are among the most stringent in the world.

The Department of Agriculture has been working in good faith with the EC over the past two years to review our respective regulatory requirements and technical methodologies to determine how to make them acceptable to both the United States and the EC. While we and the U.S. meat industry do not agree with the EC's allegations, many U.S. companies have made changes within their plants to comply with the EC requirements even though these changes do not result in a superior or safer product. It is exasperating that the EC has ignored the attempts by the U.S. meat industry to comply with its requirements and has taken this action to stop U.S. meat exports to the EC.

We have repeatedly recommended to the EC that the technical methodologies be subjected to scientific arbitration. We have requested that a panel of scientific experts, agreed upon by both the United States and European Community, review and evaluate the technologies used in U.S. meat production and processing. The EC has repeatedly refused to accept this recommendation.

It is unfortunate, ill-advised and ill-timed that the European Community is manipulating consumer fears with unsubstantiated and unsustainable claims about food safety to achieve economic and trade gains.

#

From the Desk of
CLAYTON YEUTTER
Secretary of Agriculture

Nov. 29, 1990

To Ede Holiday

Ede, since Sen. Dole will be coming in to see the President tomorrow, we thought it might be helpful to get my thoughts on the record too. So here they are.

I'm told that a decision memo is also in the process, so perhaps that is about ready to go to the President too. If I can help in any way before I leave for Brussels, let me know.

cy

cc: Governor John Sununu
General Brent Scowcroft
Roger Porter

THE CHIEF of STAFF
has seen

Withdrawal/Redaction Sheet
(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
02. Memo	From Clayton Yeutter to POTUS Re: Soviet Export Credit Guarantees (3 pp.)	n.d.	~~P-5~~	

Collection:

Record Group: Bush Presidential Records
Office: Chief of Staff, White House Office of
Series: Sununu, John, Files
Subseries: Cabinet Agencies Files
WHORM Cat.:
File Location: Yeutter (Agriculture) (1990)

Open on Expiration of PRA
(Document Follows)
By JH (NLGB) on 10/28/05

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

MEMORANDUM TO THE PRESIDENT

FROM: Clayton Yeutter
Secretary of Agriculture

SUBJECT: Soviet Export Credit Guarantees

Background:

World wheat production is at a record high this year. Our own wheat production doubled from the drought reduced 1989 crop. Soviet production is estimated to be record high as well. The Soviet shortage of foreign exchange has set off intense global competition for sales to that market. All major exporters other than the U.S. have offered special discounts and/or credits to the Soviets in order to book sales.

The United States has offered prices that are competitive with the European Community through our Export Enhancement Program (EEP). However, the Soviets have stated that they will not purchase additional grain without credit guarantees. They have further stated that refusal of credit guarantees makes our prices uncompetitive and, therefore, even the minimum purchase levels under the U.S.-U.S.S.R. Long Term Grain Agreement (LTA) will not be made.

The Soviets have not made any wheat purchases from the United States since May 13. During this time the price of wheat has dropped over one dollar per bushel. Not all of that is attributable to the Soviet situation, of course, but many farmers see it that way. Farmers and even Republican Congressmen are referring to our unwillingness to provide credit guarantees to the Soviets as a grain embargo. The anti-Administration feeling in the farm and agribusiness communities is growing rapidly.

Discussion:

1) Economics

a) The creditworthiness of the Soviet Union at this point in time obviously is not high. However, if we continue to withhold credit guarantees, there are substantial domestic economic risks for U.S. agriculture. Over the next two years, the U.S. could possibly lose the entire 25 million tons of grain sales to the USSR that have been built into U.S. export forecasts. This worst case scenario could occur if the Soviets fulfilled all their wheat needs from other exporters' surplus stocks and reduced their corn imports (other countries could not meet all Soviet corn needs).

A 25-million-ton loss of exports would cause a sharp rise in our farm program costs. Grain prices would drop below their already weak level triggering higher income support payments under the farm bill. We estimate costs would rise by $2.5-3.0 billion for the 1990 and 1991 grain crops alone.

We could offset some of these costs by idling more land here in the U.S. But that has the downside of shrinking our agricultural sector and reducing jobs in our rural communities, an irony since we would be shrinking one of our most competitive industries.

The Soviets will need around $2.6 billion in credit guarantees to cover the 25 million tons of grain imports from our 1990 and 1991 crops. This could be granted through 3-year GSM-102 loan guarantees, which would be similar to the terms provided to the Soviets by our export competitors.

2) Domestic Considerations

Grain prices have fallen dramatically in recent weeks. This is traditional during harvest, but the extent of the decline has been unexpected. One year ago USDA estimated that the season average price for 1990 crop wheat would be $3.20 per bushel. So far this year wheat prices have averaged around $2.60 per bushel and are around $2.40 per bushel today.

From a political standpoint we are getting strong signals that the bedrock Republican and/or conservative farmers of the Midwestern cornbelt are joining the ranks of the populist wheat belt constituency. The low wheat prices and general gloomy outlook are contributing to low corn prices and pessimism in the Midwest.

Time is of the essence. Once a farmer has sold his grain at low prices, the fact that prices are rising again is of no consolation. Similarly, foreign sales lost today cannot be gained back, they are lost forever. Half of the 1990 sales season for wheat is already over. The Soviets have said that unless we act quickly they will have made all the purchases they need from our competitors and we will have lost a year's sales.

In the late 1980's we regained our position in the Soviet market after losing it under the Carter grain embargo and through domestic policies.

To now lose it again because of our unwillingness to match our competition would be most unwise. Once markets are lost, they are difficult and costly to regain.

Domestic political pressures are now building to such a magnitude that if the Administration does not deal with this issue, the Congress will likely do so. In addition to a possible Congressional mandate for credit guarantees, there could well be additional legislative proposals to increase loan rates, mandate grain storage programs or others. All of these measures will be contrary to the market orientation of the 1985 and 1990 farm bills, and damaging in the long run.

My recommendation is that you waive the Jackson-Vanik amendment so the government credit guarantees can be provided on agricultural export sales to the Soviet Union.

If you wish to maintain our present position on the emigration issue, that can be done by withholding MFN status until the Soviet reform legislation is passed. The mechanism for doing this lies with the U.S.-Soviet trade agreement, which has not yet been sent to the Congress, and can be held until such time as the emigration issue is satisfactorily resolved.

cc: Governor John Sununu
General Brent Scowcroft
Ede Holiday
Roger Porter

144950
Reading

THE SECRETARY OF AGRICULTURE
WASHINGTON
20250-0100

THE CHIEF of STAFF
has seen
6/5/90

May 29, 1990

MEMORANDUM TO: **GOVERNOR JOHN SUNUNU**

FROM: **SECRETARY CLAYTON YEUTTER** CY

John, I'll do a final edit on this after I return from the OECD meetings on Friday, but thought you might like to see an advance copy.

CY:lfl

Attachment

Withdrawal/Redaction Sheet
(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
03. Memo	From Clayton Yeutter to Nick Brady Re: U.S. Economic Policy toward Latin America (4 pp.)	5/29/90	~~P-5~~	

Collection:

Record Group: Bush Presidential Records
Office: Chief of Staff, White House Office of
Series: Sununu, John, Files
Subseries: Cabinet Agencies Files
WHORM Cat.:
File Location: Yeutter (Agriculture) (1990)

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(Document Follows)
By JP (NLGB) on 10/28/05

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DRAFT

May 29, 1990

MEMORANDUM TO: SECRETARY NICK BRADY
CHAIRMAN, ECONOMIC POLICY COUNCIL

FROM: SECRETARY CLAYTON YEUTTER

SUBJECT: U.S. ECONOMIC POLICY TOWARD LATIN AMERICA

Nick, this is my response to John Sununu's request that I do a memorandum articulating my views on the trade aspects of our proposed Latin American policy document. In so doing, I will omit any mention of debt/investment strategy, where you and David Mulford have far more knowledge and experience than I. I do believe, however, that your strategy in that area is at least as important as is whatever we do on the trade front, and perhaps more so. If you succeed in relieving the immense debt burden that presently exists, that will also facilitate trade in a very substantial way.

It is also worth reiterating that all the Latin American countries badly need additional investment. They are not internationally competitive in most goods and services and, in the absence of much greater investment flows, they will not become so. As you well know, most of them generate little in the way of domestic savings, and then fail to keep those savings at home. In addition, they have not recognized that they are in competition for foreign investment flows and, in fact, have often been deliberately hostile to such investment. All of that has begun to change in recent years as they've shifted from totalitarian governments to democracies which have a stronger market orientation. But they still have a long way to go. Therefore, I would put a great deal of emphasis in this paper on a forthright, demanding debt/investment strategy. In other words, we ought not mince words on what they need to do in this delicate area, but we should do everything we can to be helpful. That is the essence of your Brady Plan strategy, and we need to sustain that momentum.

As to trade, Dick Darman made the point that the emphasis should be primarily on the President's vision, and I concur with that. It would be a mistake to focus on specific trade concessions that are likely to be highly controversial here in the U.S. The Congress and our general public will then focus on the trees, and no one will ever see the forest.

It would be appropriate for the President to speak of a Western Hemisphere free trade zone as a long-term goal. Unless we mislead people here in the U.S. and throughout the hemisphere, we should make sure that the term "long-term" is fully understood. Under the best of circumstances this goal is not likely to be reached for at least twenty years, and it could be much longer than that.

The other point that must be made is that we will pursue free trade arrangements with individual countries, or groups of countries, within Latin America only as we are asked to do so. It is not our intention to impose FTAs on any or all of the western hemisphere countries. Unless that point is articulated carefully and explicitly many Latins will interpret this as just another attempt at Yankee imperialism.

The immediate interest on FTAs is, of course, centered on Mexico. The President will need to comment on that, both in his forthcoming meeting with President Salinas and in this broader strategy paper. As Carla Hills pointed out, it is imperative that the Mexican FTA (or any other FTA, for that matter) encompass negotiations on goods, services, and investment. That could be a point of contention with President Salinas, but it is one on which we should not yield. If we do not negotiate a comprehensive FTA, with Mexico or anyone else, we'll have great difficulty getting those agreements approved on Capitol Hill, and we'll prostitute the process. Countries will want to pick and choose the areas in which they negotiate with us, selecting those in which they have a competitive advantage vis-a-vis the U.S., rejecting those in which they believe themselves to be at a disadvantage. Unbalanced agreements of that nature simply will not fly here in the U.S.

Most Latin American countries simply are not yet ready for an FTA with the U.S. (or the U.S. and Canada in combination) because their economic performance is inadequate. In other words, a free trade agreement will leave them vulnerable to being inundated with imports from the United States, with a very real risk that their balance of trade and balance of payments would both deteriorate. When the economic performance of the two negotiating countries is more or less equal, as was the case in the U.S./Canada agreement, both countries should benefit from an FTA, with the smaller country reaping the greater relative benefits. That outcome should also prevail in Mexico, but only if President Salinas is able to dramatically improve the performance of the Mexican economy during the transition period. If we were to use a ten-year transition with Mexico, as we did in the Canadian agreement, that means Mr. Salinas has just one decade to make his economy a whole lot more productive than it is today. With other Latin American countries whose economies are much less productive than that of Mexico, the transition would have to be a lot longer, their political/economic leadership a lot stronger, or they should not now consider an FTA with us.

In my view the other Latin American countries ought to learn to walk with us before they attempt to run. That would call for (1) all of them to become members of the GATT at the earliest possible date, and (2) many of them to begin to negotiate framework agreements with us before they ask for free trade arrangements. The framework agreement we negotiated with Mexico a couple of years ago certainly made a positive contribution in fostering and facilitating the interest of that country in an FTA. The looser and more flexible provisions of a framework agreement would certainly make a lot of sense with many of the other Latin American countries.

As an aside, we can make a positive contribution by helping the Latin American countries with their negotiations for GATT membership. That can be a very appropriate part of our Latin American strategy, both for those countries which now have GATT memberships pending, and for those which have not yet initiated that process. For example, we've given Costa Rica a great deal of assistance in their negotiations for GATT membership, as we did Mexico a few years ago. My judgment is that those efforts were much appreciated, and very significant in getting Mexico off to a good start in its trade reforms.

Finally, I would add the caveat that we need to develop a global strategy for dealing with FTAs. Our principal concentration this year should be on the Uruguay Round, and perhaps even in 1991 as we move the Uruguay Round results through the Congressional approval process. Once that is accomplished, however, we are likely to experience a renewed interest in free trade arrangements as a complement to the Uruguay Round results. Outside of Latin America, we've already had considerable interest expressed by the ASEAN countries, and that could become a front-burner issue. Japan and the European Community are both possibilities, though I doubt the former is politically feasible, and the latter is improbable until such time as the 1992 exercise settles in. A final possibility with some logic would be Australia/New Zealand/Canada and the U.S. With the economic performance caveats I mentioned earlier, one can visualize possibilities within Latin America for: Andean Countries; Central America as a unit; Argentina and Brazil, singularly or as a unit; and possibly a single country such as Uruguay if we wanted to send an open market message to the rest of Latin America.

My principal objection to the proposed strategy paper relates to the targeting of trade benefits, as discussed on page 20 and beyond. Almost all of these proposals will provide limited economic benefits to Latin America, while having a very high political cost here at home. What we are able to do for Latin America in the Uruguay Round is likely to be much more significant than the entire combination of targeted benefits from our strategy paper. Therefore, we should concentrate on the Uruguay Round (particularly on agriculture, since these are agrarian societies), and move to these programs on a carefully selected basis only if the Uruguay Round results are inadequate. I do not believe that any of the targeting recommendations merit inclusion in the strategy paper, though I would suggest two possible exceptions.

We should be forthcoming with the Latin American nations about our willingness to horse trade on tariff concessions. Though there are some political dangers in going beyond the limits of the Trade Act, we should be prepared to do so for Latin American nations or anyone else, if we can get enough trade benefits in return. That is a philosophically sound approach, for it will expand trade, and it is defensible to the Congress and the American people if we do a satisfactory job of horse trading.

The other exception is that we should be prepared to implement Uruguay Round tariff concessions -- and perhaps certain other concessions as well -- on an accelerated basis. That cannot be done in a discriminatory way, but it could be given emphasis on products or services of particular interest to Latin America. Here too such an acceleration can be defended only if we get something in return, but that too is possible. If the Latin American nations accelerate their own concessions, thereby forcing their industries to become internationally competitive at an earlier time, that will probably work to their benefit rather than to their detriment.

Finally, it seems to me that our strategy paper also needs an institution building component. Perhaps that is implicit in the debt/investment strategy, the trade strategy, or both, but it certainly needs to be understood. As I indicated at the EPC meeting, the Latin countries have an institution building challenge not unlike that of Eastern Europe and the Soviet Union. They are farther along in this process than nations who are just beginning to convert from communism to capitalism, but they still have incredible institutional shortcomings. There is just too much government involved in the operation of the Latin economies, and that must change. They need to privatize where they can, enhance managerial efficiencies everywhere, modernize, provide incentives, remove a myriad of economic disincentives, etc. All of that requires stimulus, training, technical assistance, and other kinds of cajolery and assistance. By now we have discovered, in Latin America and elsewhere, that foreign assistance simply does not work unless it is accompanied by effective institution building.

Nick, I hope this will be helpful.

CY:lfl

Withdrawal/Redaction Sheet
(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
04. Memo	From Roger Porter to John Sununu Re: Farm Bill (1 pp.)	1/11/90	~~P-5~~	

Collection:

Record Group: Bush Presidential Records
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Subseries: Cabinet Agencies Files
WHORM Cat.:
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By JJ (NLGB) on 10/28/05

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THE WHITE HOUSE
WASHINGTON

January 11, 1990

THE CHIEF of STAFF
has seen

MEMORANDUM FOR GOVERNOR SUNUNU

FROM: ROGER B. PORTER RBP

SUBJECT: Farm Bill

As you know, the Senate and House Agriculture Committees will soon start drafting the 1990 Farm Bill. Secretary Yeutter is scheduled on February 7 to testify before the Senate Agriculture Committee on the Administration's position on the Farm Bill and will probably have to testify before the House Agriculture Committee soon thereafter.

The EPC will need to have several meetings over the next few weeks to review this important issue. I held a working group meeting yesterday which included representatives from USDA, OMB, State, Interior, Commerce, USTR, EPA, CEA, and Cooper Evans.

In general, Secretary Yeutter wants the Administration to support the basic approach followed in the 1985 Farm Bill with slight modifications to improve flexibility for farmers and make farming practices more consistent with environmental protection. He believes that any radical approach toward the 1990 Farm Bill would reduce our leverage in the Uruguay Round, hurt the Administration's position with the farm community, and hurt Republicans in the 1990 elections.

Others, in particular OMB staff, want the Administration to consider more fundamental change in farm programs. They are in the process of developing several proposals for changing the basic nature of how the federal government supports farm income. They argue that staying with the basic approach of the 1985 Farm Bill with its relatively high costs will make it that much more difficult for the Administration to meet future Gramm-Rudman deficit targets.

We will need to balance simultaneously several policy goals in developing our approach toward the 1990 Farm Bill: continuing to move toward a more market-oriented farm policy, successfully achieving our agricultural goals in the Uruguay Round, reducing budget outlays and exposure over the next several years, and making farming practices more consistent with environmental protection. I will keep you informed of any new developments.

Withdrawal/Redaction Sheet
(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
05. Report	Northern Spotted Owl Briefing (7 pp.)	3/27/90	~~P-5~~	

Collection:

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P-6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

PRM. Removed as a personal record misfile.

Freedom of Information Act - [5 U.S.C. 552(b)]

(b)(1) National security classified information [(b)(1) of the FOIA]
(b)(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
(b)(3) Release would violate a Federal statute [(b)(3) of the FOIA]
(b)(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
(b)(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
(b)(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
(b)(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
(b)(9) Release would disclose geological or geophysical information

Clayton is out
of DC on Thurs.

Gov. may want
to call Clayton
today - planned
on Thurs/Friday.

Andy

Northern Spotted Owl Briefing

March 27, 1990

NLGB
Determined To BE ADMINISTRATIVE MARKING

~~CONFIDENTIAL~~

A. Background

1. The Northern Spotted Owl lives mostly in old growth and mature forests in western Oregon, western Washington, and northern California. Estimated population is 2400 pairs.

2. Over 90 percent of the 7.1 MM acres of owl habitat is on Federal lands (FS - 71 percent; BLM - 12 percent; and NPS - 9 percent).

3. About 3.8 MM acres of owl habitat are prime timber-producing lands supporting 70-80 percent of the current timber sale program.

4. As mature and old growth forests are reduced through timber harvesting, the population of the spotted owl has declined to the point that the Fish and Wildlife Service has proposed to list it as a threatened species.

5. In the meantime, the FS and BLM have been in and out of court many times with several court injunctions over whether adequate measures are being taken to protect the spotted owl.

6. In the FY 1990 Interior Appropriations Act, the Congress legislatively lifted the court injunction and directed the FS and BLM to continue a near-normal timber sale program for FY 1990.

7. The temporary legislative fix expires on September 30, 1990 and the Congress directed the Forest Service to have in effect a new spotted owl decision at that time.

B. Current Situation

1. The four agencies (FS, BLM, NPS, and FWS) chartered an Interagency Team of Scientists to review everything that was known about the spotted owl and to recommend a long-term strategy for the survival of spotted owl. They have completed their study and it will be released on April 3. A congressional hearing is scheduled before the House Agriculture Committee on April 4.

2. Congress directed the Forest Service to consider the recommendation of the Interagency Scientific Committee in making the spotted owl decision, which is to be in effect by September 30, 1990, when the legislative fix expires. If the recommendations of scientific committee are accepted, it will have a significant impact on timber sale programs.

3. FWS is scheduled to make a final decision on whether to list the spotted owl as a threatened species on June 23, 1990. If listed, it will trigger the provisions of the Endangered Species Act which will have a significant impact on the timber sale program.

4. Regardless of the outcome of the listing decision by FWS, the FS must comply with National Forest Management Act (NFMA), which requires that FS maintain the viability of the spotted owl throughout its range on the National Forest System.

April 3

C. Findings and Recommendations of the Interagency Scientific Committee

1. An estimated 60 percent of historic habitat has already been lost as a result of timber harvest activities and is continuing to be lost at a rate of 1 percent per year.

2. Population trends of northern spotted owls have been declining faster than habitat loss.

3. Fragmentation of habitat through timber harvest is a major contributing factor to declines in spotted owl populations.

4. The Committee is recommending a new conservation strategy maintaining large blocks of old-growth habitat of 20,000 to 90,000 acres in size within 12 miles of each other. These areas would support 20 or more pairs of owls.

5. This strategy would protect about 3 MM acres of land suitable for timber harvest.

D. Economic and Social Impacts

1. The National Forests in western Oregon, western Washington, and northern California produce 4.2 billion board feet of timber, which is about 40 percent of the Forest Service total. Overall, the FS produces about 25-30 percent of the timber going into softwood lumber and plywood.

2. If the Interagency Scientific Committee recommendations are accepted, it would reduce the timber sale level by 1.2 to 1.5 billion board feet or about 30-40 percent on the spotted owl forest.

3. Preliminary Estimated Economic Effects are:

> Increased Canadian imports in excess of 1 billion board feet.
>
> Loss of 16,000-18,000 jobs directly and indirectly related to reduction of National Forest timber. Most of the job loss will be in small towns and communities.
>
> Loss of $300 million in National Forest gross revenue.
>
> Loss of $75 million in payments to local economies for schools and roads.
>
> Many communities dependent upon National Forest timber for their livelihood would go into an economic collapse.

E. Opportunities for Mitigation of Effects

1. Increase supply for domestic industry through export restrictions on logs from State and private lands which now amounts to 4 billion board feet. Currently there is a ban on log exports from Federal lands. Some options are:

   a. Eliminate substitution rule exceptions (grandfathered into law) which allows purchasers to export private logs and replace with logs from Federal lands. Currently about 400 million board feet--would offset loss of 10-15 percent of jobs.

   b. Pass Federal legislation that would allow States to ban log exports on State lands--would offset another 10-15 percent of jobs.

   c. Ban all export of logs which is about 4 billion board feet per year--would more than offset the loss of jobs due to spotted owl but has serious free trade implications. However, jobs generated would not be in same locations as jobs lost.

2. Expansion of value added industries:

   a. Take action under the terms of Super 301 to get Japanese to buy more finished products.

   b. Expand production of value added products.

   c. Initiate direct development grants and loans as per Title 9 of the English/Morrison Rural Development Bill.

   d. Provide tax or other incentives for new industries to locate in timber dependent communities.

3. Aid displaced workers through extended unemployment benefits, retraining, or moving allowances.

4. Help communities take advantage of other potential economic opportunities through rural area development and other programs.

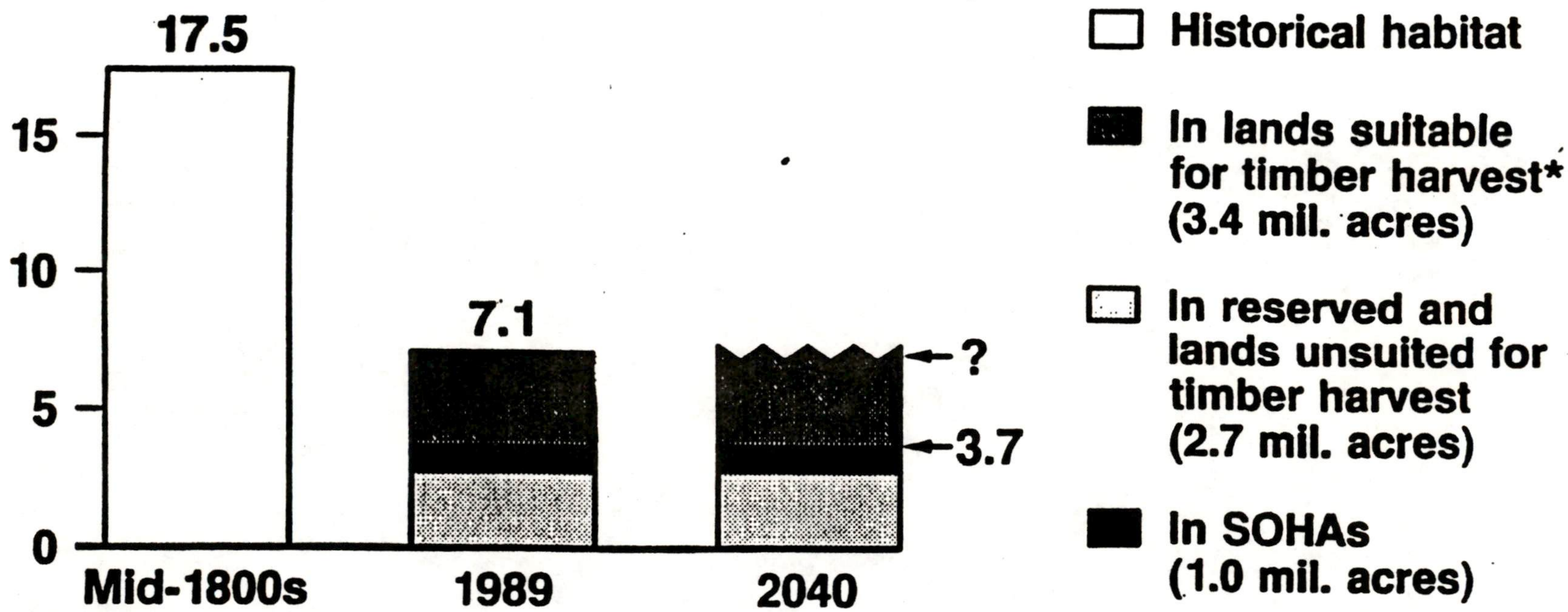
Attachment 1

Employment and Income Generated on Forests with Spotted Owl Populations

Oregon	
Employment (Jobs)	30,500
Total Income (M $)	1,211,900
Washington	
Employment (Jobs)	10,900
Total Income (M $)	350,500
California	
Employment (Jobs)	7,600
Total Income (M $)	278,300
TOTAL	
Employment (Jobs)	49,000
Total Income (M $)	1,840,700
TOTAL Timber Sale Program	4.2 BBF
Reduction due to additional protection of owls	1.2-1.5 BBF minus 30-40 percent

Northern Spotted Owl: Trends in Suitable Habitat

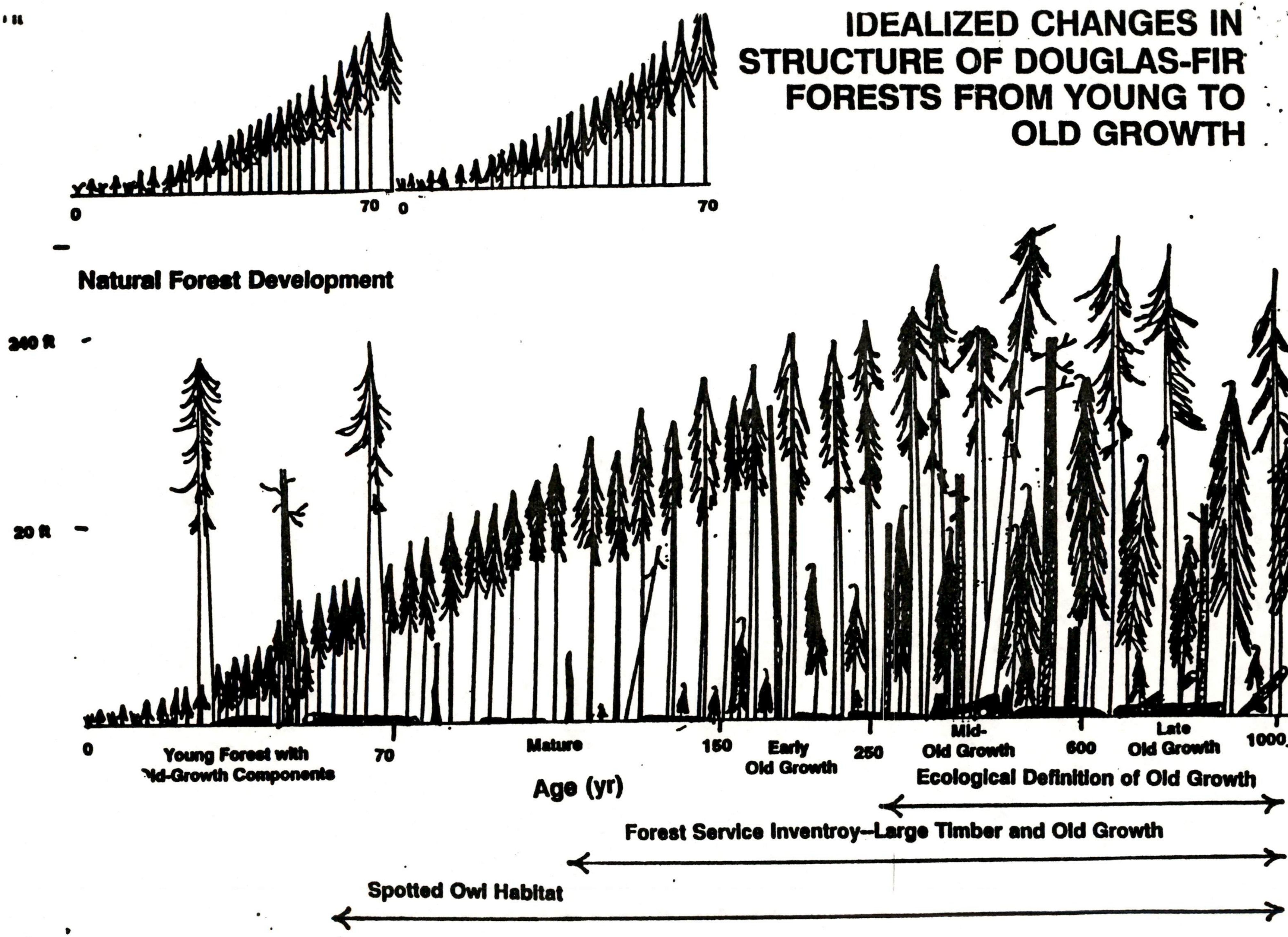
Estimated acres of suitable habitat (millions)



* Future amount depends on decisions made during the next 5 decades.

Attachment 2

IDEALIZED CHANGES IN STRUCTURE OF DOUGLAS-FIR FORESTS FROM YOUNG TO OLD GROWTH



Attachment 3