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Collection/Office of Origin: Chief of Staff, White House Office of
Series: Sununu, John, Files
Subseries: Issues Files

OA/ID Number: 29155
Folder ID Number: 29155-008

Folder Title:
Environment - Miscellaneous (1990) [4]

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Withdrawal/Redaction Sheet

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Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
01. Paper	Pg. 4 of options paper Re: International funding of environmental programs (1 pp.)	n.d.	P 5	

Collection:

Record Group: Bush Presidential Records
Office: Chief of Staff, White House Office of
Series: Sununu, John, Files
Subseries: Issues Files
WHORM Cat.:
File Location: Environment - Miscellaneous [4]

Open on Expiration of PRA
 (Document Follows)
 By JP (NLGB) on 5/12/05

Date Closed:	12/9/2004	OA/ID Number:	29155-008
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:	
AR Disposition Date:		MR Disposition Date:	

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]
 P-3 Release would violate a Federal statute [(a)(3) of the PRA]
 P-4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
 P-5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA]
 P-6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

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 (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

2. Accept Consensus; Declare Victory on Key Principles. The United States could agree to support the fund, based on consultation over recent weeks, and assert that the key elements of the U.S. position have been achieved:

- o World Bank. Protocol Parties have agreed that the new financing mechanism should be administered by the World Bank.
- o Additionality. The United States would recognize the inescapable principle of additionality by providing the U.S. contribution to the fund (\$25 million total; \$2-3 million annually for the first two years) from within existing environmental funds in EPA's budget.
- o Precedent. The United States would insist on language in the Protocol amendments specifying that financing for the Protocol is not a precedent for future environmental issues.
- o Control. The United States could seek agreement that decisions taken by Parties to the Montreal Protocol concerning use of the fund should be based on voting weighted in proportion to contributions to the fund.

The United States would drop its effort to condition all World Bank lending on compliance with the Montreal Protocol, partly because of lack of support and partly because of Treasury's legal concerns that such a non-economic condition would be inconsistent with the World Bank's charter.

In order to win others to this position at London, it would be important to allow at least two weeks for working with the capitals of participating countries.

Advantages

- o Prevents U.S. isolation on controversial environmental issue.
- o Helps U.S. regain a leadership role in shaping the financing mechanism.
- o Minimizes the risk that the environment will be a contentious issue at the Houston Summit.

FACSIMILE TRANSMITTAL

FROM

THE OFFICE OF THE U.S. EXECUTIVE DIRECTOR - WORLD BANK
1818 H Street, N.W., Room D-1328, Washington, D.C. 20433

--- "FAX" NUMBER - (202) 477-2967 ---

DATE: 6/1/90

TO: Jackie Kennedy URGENT

FROM: ☒ E. Patrick Coady, U.S. Executive Director - Phone: 477-2776☐ Mark T. Cox, IV, U.S. Alternate Executive Director - Phone: 477-3991☐ Ronald E. Myers, Advisor to the U.S. Executive Director - Phone: 477-5521
477-5521☐ Brian G. Crowe, Assistant to the U.S. Executive Director Phone: 477-407

COMMENTS: 2 Key Tables. Report follows immediately.

Number of Pages Including This Cover Sheet: _____

Agency for International Development
Washington, D.C. 20523

MAY 25 1990

INFORMATION MEMORANDUM FOR THE ASSISTANT ADMINISTRATOR FOR
SCIENCE AND TECHNOLOGY

FROM: S&T/EY, James B. Sullivan *Jim Sullivan*
SUBJECT: Developing Country Assistance Requirements for
Compliance With the Montreal Protocol

We have compiled the following preliminary information in response to your request.

Recently there has been significant interest in determining the costs to developing countries of complying with the Montreal Protocol on Ozone Depleting Substances (ODSs), and on mechanisms to provide them with assistance in this. This memo summarizes our review of the existing reports and also lessons gained from our support of energy conservation programs in these countries that may be applicable to and ODS reduction assistance programs.

BACKGROUND

Chlorofluorocarbons (CFCs), halons, carbon tetrachloride, and methyl chloroform are all categorized as ozone depleting substances, or ODSs. Atmospheric ozone in the Earth's upper atmosphere acts as a shield which filters out harmful ultraviolet radiation emitted by the sun. As this ozone layer degrades because of the activity of the ODSs, scientists expect to see an increase in skin cancers and cataracts, reduced yields from UV sensitive crop species, increased formation of tropospheric ozone (smog), and a reduction in the usable life of many plastics. In addition, many of these ODSs are major contributors to global warming.

CFCs and other ODSs are used in aerosols, flexible and rigid foams, air conditioning and chilling refrigerants, solvents, fire extinguishers, and sterilizers (Exhibit 1). Luckily, for most applications there are substitutes available at reasonable costs. However identifying the best alternative can be difficult; the U.S. Environmental Protection Agency (USEPA) has identified over 900 possible alternatives for the major ODS uses.

USEPA estimates that worldwide consumption of CFCs and Halons reached 1,140,000 metric tons per year in 1986. Industrialized nations presently consume 88% while the lesser developed countries (LDCs) accounted for the remaining 12%. In the largest LDC ODS consumers such as China and India, consumption is growing dramatically at rates from 7% to 22% per year, with growth projections at from 5% to 15% per year. In other developing countries however ODS growth projections are much lower, ranging from 1% to 7%. No projections have been made of the impacts on ozone depletion of LDCs not signing the Protocol. This is difficult to determine because the markets for these substances are complex, and a major shift from ODSs in the industrialized

world may trigger a similar shift in the developing world, even if the developing world doesn't wish to make the investments necessary to do this. This may occur because much of the developing world depends on the developed countries for equipment and supplies for ODS production which will no longer be available.

The leading LDC ODS consumers are India, China, Argentina, Brazil, Mexico, South Korea, and Venezuela. Almost 70% of LDC ODS consumption occurs in domestic refrigeration (approximately 40% is refrigerant; 30%, foam insulation). The technology for ODS production is readily available; e.g. China, Brazil, and India are self-sufficient in CFCs and in fact have about 50% excess capacity.

The Montreal Protocol of 1987 is an international agreement which strives to eliminate the use of ODSs worldwide. In accordance with the Montreal Protocol, industrialized nations must abolish the production and use of CFCs and halons by the year 2000. LDCs were given a ten year grace period and smaller reduction requirements, so that they could benefit from the R&D in the developed countries on CFC substitutes. At the next meeting of Protocol signatories in London in June 1990, it is expected that agreements for much larger ODS reductions from both the developed and the developing nations will be made.

The current Protocol defines controlled substances as follows:

- Group I: chlorofluorocarbons (CFCs) numbers 11, 12, 113, 114, and 115. These are compounds which contain fluorine, chlorine and carbon atoms only.
- Group II: halons, numbers 1211, 1301, and 2402. These compounds are similar to Group I but one or more of the chlorines gets replaced by bromine.

The amendments expected in June 1990 are expected to include four other categories of ozone depleting substances (exhibit 2).

- Group III: other fully halogenated CFCs.
- Group IV: carbon tetrachloride.
- Group V: methyl chloroform, also known as 1,1,1 trichloroethane.
- Group VI: hydrochlorofluorocarbons (HCFCs). These are similar to Group I compounds but substitute hydrogen for one or more chlorine. This causes much faster degradation of the molecule in the atmosphere and thus is much less harmful to the ozone layer.

COSTS OF ODS REDUCTION

Many developing nations are reluctant to sign the Montreal Protocol because they do not have accurate estimates about compliance costs. The United Nations Environment Program (UNEP) is conducting studies estimating costs for various nations. Many programs which reduce or eliminate the use of ODSs by substituting other substances have relatively small capital costs associated with them. In fact several proposed programs actually save the producer and the consumer money in years following the initial investment (exhibit 3), and have paybacks of two years or less.

Another cost effective way to remove CFCs from the environment is to adopt recycling programs. The USEPA has estimated that almost 65% of all CFCs consumed by the United States can efficiently be recycled (exhibits 4, 5, and 6). Similar estimates on CFC recycling ratios are expected in less developed nations. Recycling is relatively inexpensive and requires only very small capital investments. It does however require substantial regulatory and institutional development efforts.

A study of the costs of Montreal Protocol (plus amendments) compliance for India was recently completed for the UK Overseas Development Administration (the British AID) by Touche Ross. This study estimated very large compliance costs in later years that have been criticized as being much too large. However, the study does make several important points about the patterns of the costs and the different impacts on the different sectors.

The cost effects are distributed over three distinct sectors: the producer sector or those who make ODSs, the user sector or those who use ODSs in the manufacture of finished goods, and the consumer sector which purchases the ODS containing products of the user sector. This study shows an initial decrease in costs in the producer sector due to the lower prices of many substitute goods, and a small increase in costs faced by the user's sector. The majority of the compliance costs (over 90%) fall on the consumer sector after 2003 since they are forced to purchase CFC-free, refrigeration units before their existing units are worn out (exhibits 7 and 8). However the study does indicate that if more reasonable estimates of replacement requirements are made, the consumer sector's costs are negligible until after 2004, when they become similar to the producer and user sectors' costs.

TOTAL LDC ODS REDUCTION COSTS

At present there are no comprehensive estimates of the total costs developing countries will incur to transition from use of ODS's. Studies are underway for specific developing countries including Algeria, Argentina, Brazil, China, Egypt, Liberia, Mexico, Panama, Philippines, South Korea, Tunisia, and Venezuela which should be completed shortly. A study on India is complete. At present The USEPA and a British firm, Metroeconomica, made

very rough estimates of the transitioning costs over the next three years incurred by developing countries. Both studies estimated costs for all developing countries to be between \$150 million and \$200 million for capital conversion and another \$12 million to \$20 million for technical assistance and coordination. In addition, the Metroeconomica study estimated additional operating costs of \$100 million/yr due to lower non-CFC refrigerant efficiency, although other sources including USEPA and DuPont say this will not be so. This implies total assistance needs in the \$50 million/yr to \$75 million/yr range, worldwide.

LESSONS FROM PREVIOUS EXPERIENCE

In the past ten years, USAID, the World Bank, and other organizations have had much experience implementing energy conservation programs in developing countries. Some of this experience will be directly relevant to programs to abolish ODS's because the two types of programs have some important characteristics in common. These characteristics include :

- The primary target in the initial years will be industry.
- The average size of each investment will be small, from \$10,000 to \$1,000,000.
- The user will sometimes need technical assistance.
- There is normally no strong incentive on the part of the industrial firm to make the investment.
- Much of the new equipment may be imported, resulting in problems with foreign exchange availability, tariffs, quotas, spare parts, and so on.
- The average small to medium size industrial firms have difficulty meeting borrowing standards

There are of course some differences also. ODS's do not have as broad a range of applications or equipment types as energy conservation options. Also there will typically be only a few plants in a country (a dozen or less) that will need to make modifications to meet ODS reduction requirements, while energy conservation efforts must reach hundreds or thousands of plants.

The key lessons to be drawn from the energy conservation experience that are relevant to the ODS reduction efforts include:

- Government commitment is crucial. The companies must understand the government will make those laws and regulations necessary to reduce ODS's and will not change these policies.

- Programs must be developed on a country-by-country basis, taking into account the specific problems of that country.
- Strong efforts must be made to insure conversion funds are used, such as advertising their availability, providing technical assistance, and providing loan application assistance. The simple existence of funds does not guarantee they will be used. For example, loan funds established for energy conservation investments by the World Bank went unused.
- Efforts should be centralized in a single national agency.

Using the World Bank to make loans to industry for ODS reductions may run into some problems. The Bank is not well structured for this type of activity for several reasons. First, it must loan to the developing country government, with that government guaranteeing repayment in foreign exchange. Many governments are unwilling to make such guarantees for loans to small industrial firms. In addition, the loans are often difficult to apply for and require a long time for approval due to the government bureaucracy's procedures and requirements.

Second, the average loan will be relatively small by Bank standards (much less than \$1,000,000). This creates administrative problems evaluating and handling the loan and its repayments. Finally, the program will require a technical expertise in industrial processes the Bank does not have now.

The Bank can of course overcome these problems, but this will require a major commitment of top-level talent to make fundamental changes in the way the Bank currently does business. There are alternatives which should be explored. For example, the various bilateral assistance organizations often have in place the mechanisms needed to implement these types of programs.

CONCLUSIONS

Analysis of the collected data leads to three conclusions. First, the costs to a developing country are relatively low in the early years of participation in the Protocol. The net costs in India, one of the largest developing country CFC producers, are estimated to be negative for the producing sector, around \$3,000,000 per year for the user sector, and negligible in the consuming sector. These costs will not become significant in the producing or user sectors until the 2004-2006 time period when more stringent Protocol restrictions take effect, at which time they rise to about \$30 million/yr in the producer sector and \$25 million/yr in the user sector. In the consumer sector, long-term costs can be much greater: from \$300 million to \$900 million per year if they are forced to retire air-conditioning and

refrigeration equipment prematurely, but less than \$100 million/yr if not.

These numbers help illustrate the second point. 90% of the estimated costs may be borne in the consuming sector starting 10 or 15 years in the future. This sector is characterized by a large number of small applications which will be very hard to reach.

Finally, care must be taken in selecting funding assistance channels. Multilateral banks will have difficulty handling large numbers of small loans, particularly if they must be targeted to the consumer sector. Total loans to the producer and user sectors of any single country, at least until 2004, are likely to be small (at most, a few million dollars per year in each country), can probably be handled through existing mechanisms and will likely not require special funds.

cc:

World Bank, E. Patrick Coady
PPC/PDPR/RP, Anna Quandt
S&T/EN, Jack Vanderryn

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2. H.R. 2699 Stratospheric Ozone Depletion, Hearings before the Subcommittee on Health and the Environment. January 25, 1990.
3. U.S. Environmental Protection Agency Analysis of the Environmental Implications of the Future Growth in Demand for Partially Halogenated Chlorinated Compounds, January 1990.
4. Federal Register Protection of Stratospheric Ozone: Final Rule. Part III August 12, 1988.
5. UNEP The Economic Implications for Developing Countries of the Montreal Protocol, January 29, 1990.
6. UNEP Preliminary Analysis of Capital Costs for CFC Reductions for the First Three Years, April 17, 1990.
7. Overseas Development Administration, Reducing the Consumption of Ozone Depleting Substances in India, February 1990.

Exhibit 1

Major CFC Use Categories Chemical Substitutes, and Policy Alternatives

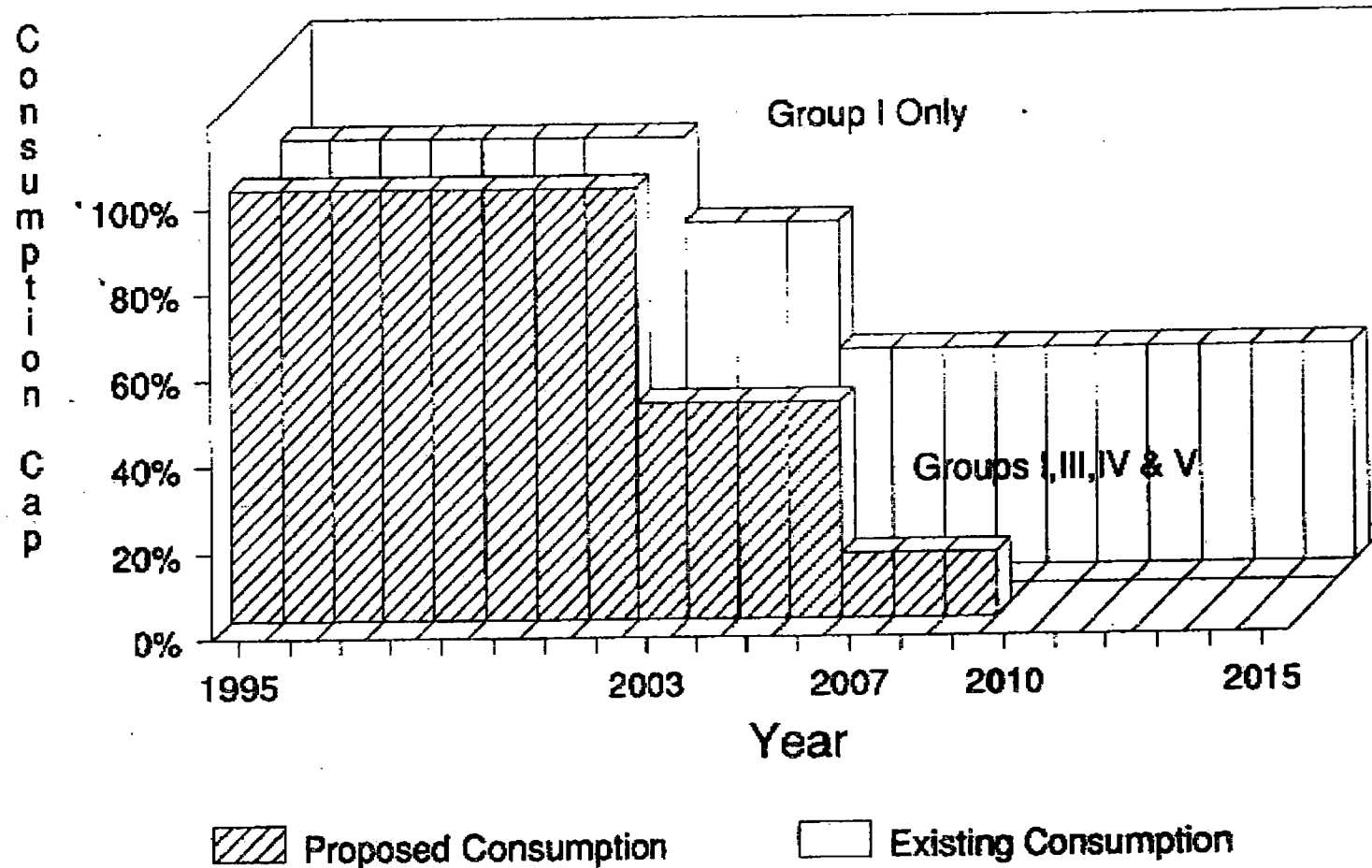
Uses	CFC's Commonly Used	Chemical Substitutes	Policy Alternatives
Aerosols	CFC-11 CFC-12	Carbon Dioxide HCFC-22	Enforce the use of pumps, sticks and roll-ons.
Flexible Foams	CFC-11	HCFC-141b HCFC-123	Use water blown rather than CFC blown processes.
Rigid Polyurethane Foam	CFC-11 CFC-12	HCFC-123, HCFC-123 HCFC-22	Product Substitutes.
Rigid Non-Polyurethane Foam	CFC-12	HCFC-141b HCFC-123	Thick Fiberglass Batts. Product Substitutes.
Mobile Air Conditioners	CFC-12	HCFC-22, HCFC-134a NARM(1)	A 15% reduction in CFC use could occur if recycling was enforced.
Residential Refrigeration	CFC-12	NARM(1) HFC-134a	A 40% reduction in CFC use could occur if recycling was enforced.
Retail Food Storage	CFC-12 CFC-115	35% Ammonia/65% NARM(1) HCFC-22, HFC-125	A 37% reduction in CFC use could occur if recycling was enforced.
Solvent Cleaning	CFC-113	HCFC-123/141b Blend Carbon Adsorption, Terpenes	A 50% reduction in CFC use could occur if recycling was enforced.
Halons	CClBrF2 (H-1211) CBrF3 (H-1301)	CO2 Dry Chemicals	Water Sprinklers, Fire Safety. Research on Substitutes.

(1) "NARM", A non-azeotropic refrigerant mixture with a good temperature glide, and a high percentage of HCFC-22 as a component.

Source: USEPA, and ICF

Exhibit 2

Comparison of Existing and Proposed Ozone Depleting Substance Regulations



Source: Overseas Development Admin.

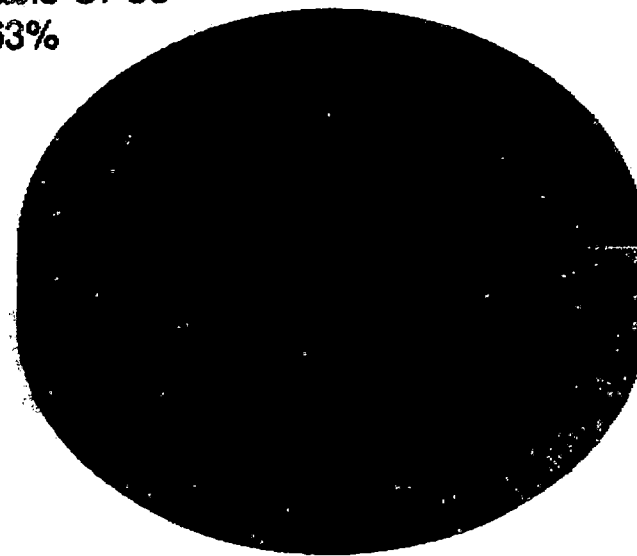
Exhibit 3

Cost Estimates Of Technical Options By Sector				
Sector	Option	Capital Investment	Operating Costs	Comments
Aerosol Propellants	Hydrocarbon Propellants, add filling room	\$25,000-\$500,000	Reduced	Hydrocarbons cost less than CFCs, resulting in a net gain for the producer.
Polyurethane Foam Insulation (Refrigerators)	Increased water blowing (50% reduction in CFC-11)	>\$20,000	Foam costs increase 10%	Slight loss in energy efficiency, energy cost increase 5-10%.
Molded Flexible Foams	Water blowing	None	10% increase	Excellent alternative process
Solvents	Aqueous cleaning	\$10,000-\$130,000/machine	\$1,800-\$25,000 reduction due to CFC costs	Costs for aqueous cleaning will be less than solvent cleaning; technology available.

Exhibit 4

U.S. CFC Recycling Capabilities In 1986

Recyclable CFCs
63%

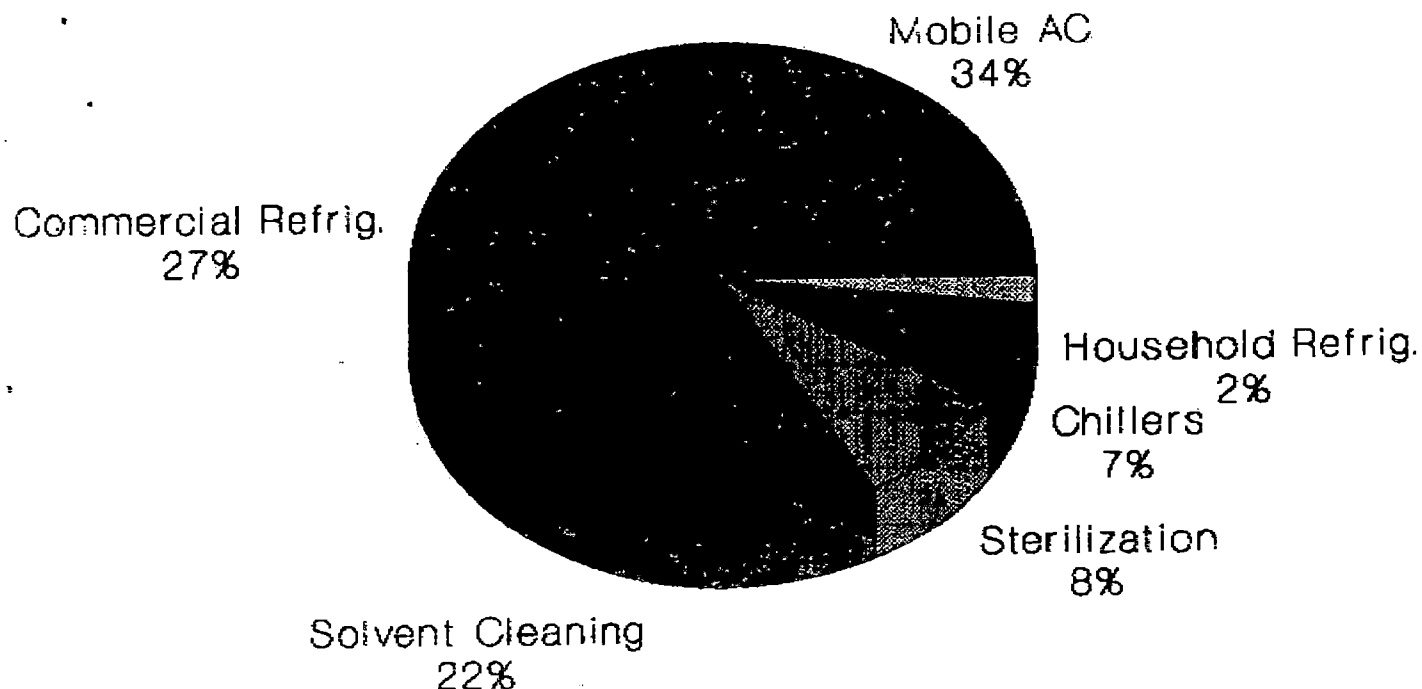


Nonrecyclable CFCs
37%

Source: USEPA

Exhibit 5

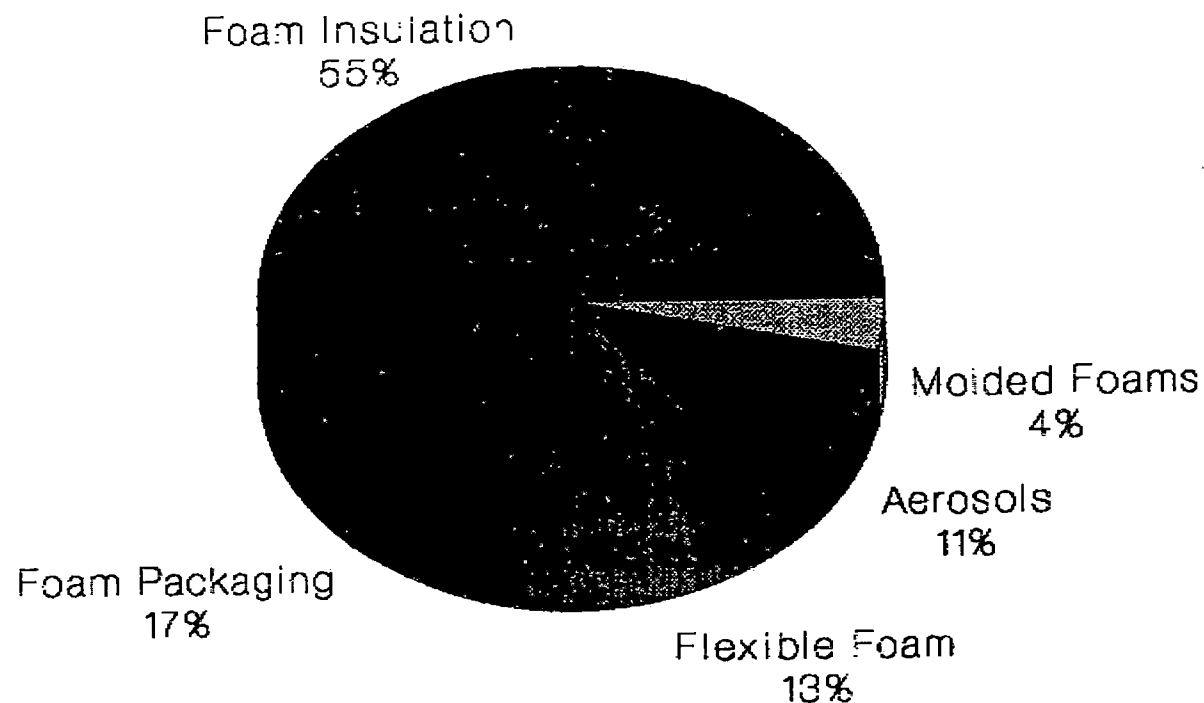
% CFC Use in 1986 For End Uses Where Recycling is Possible



Source: USEPA

Exhibit 6

% CFC Use in 1986 End Uses Where Recycling is Infeasible



Source: USEPA

Exhibit 7

India's Cost Of Compliance In The Producer and User Sectors

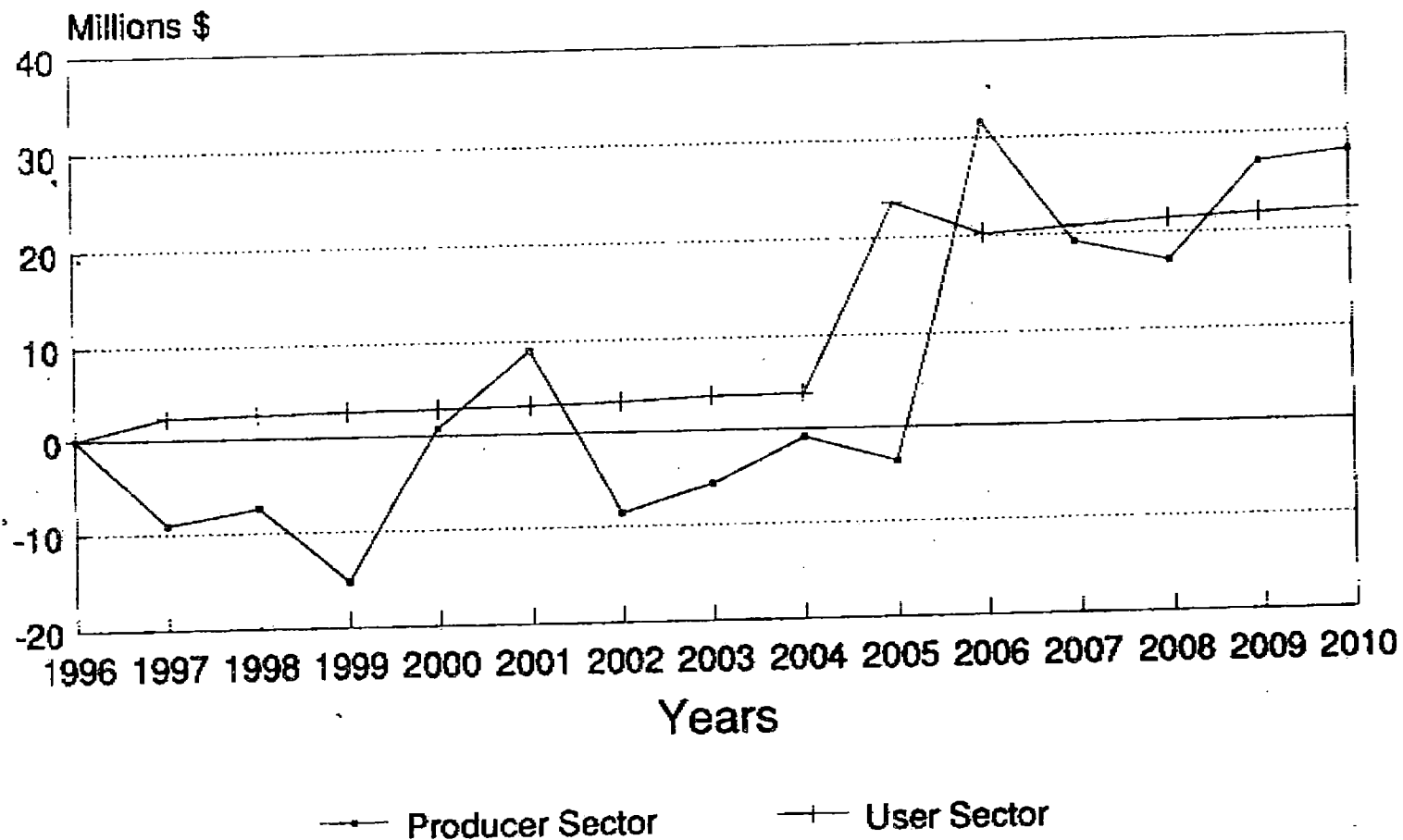
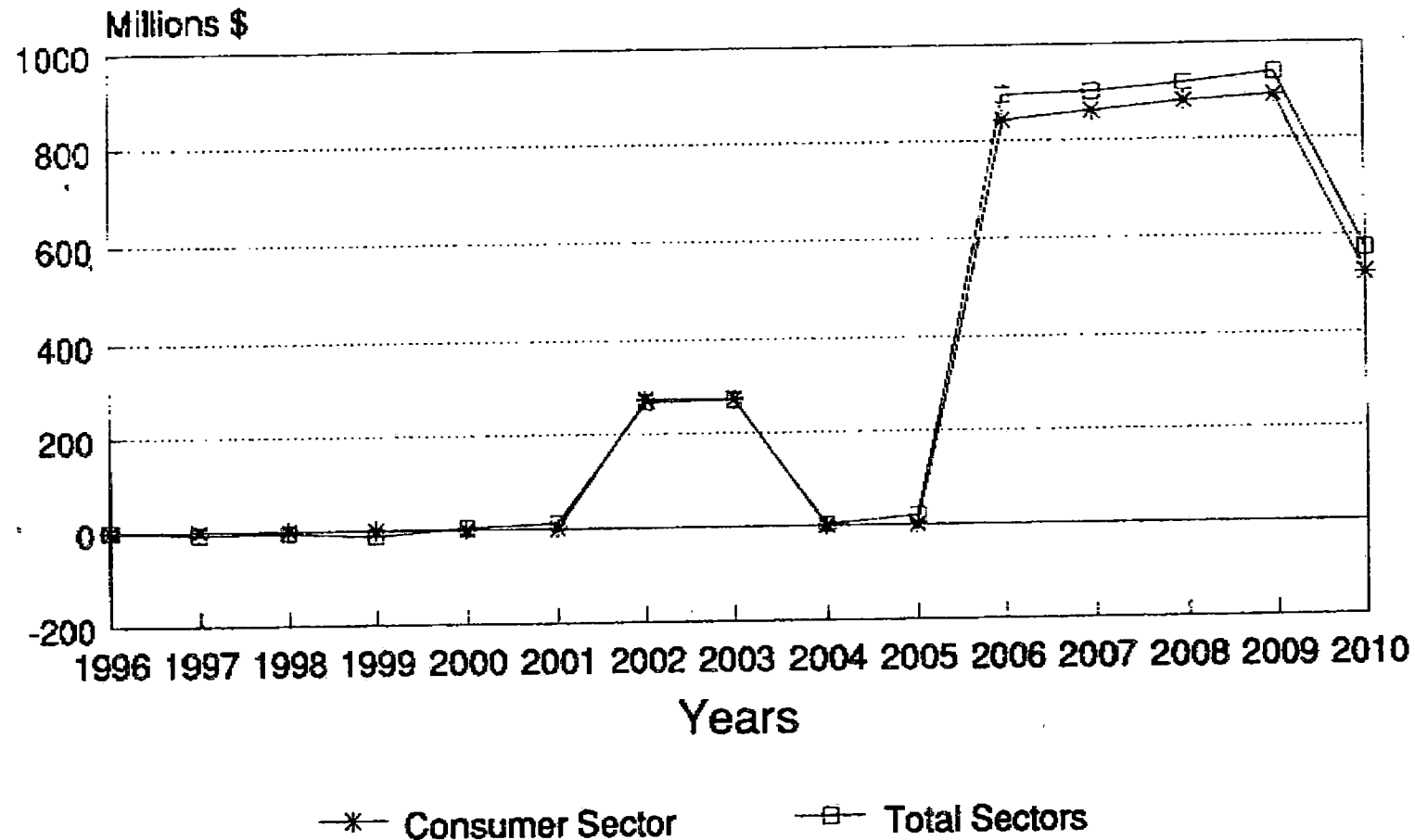


Exhibit 8

India's Cost Of Compliance Consumer And All Sectors



Total Sectors=Producer, User, and Consumer Sectors.

BACKGROUND (Continued)

- **Worldwide consumption of CFCs, Halons (1986) - 1,140,000 metric tonnes**
 - **Industrialized Nations: 88%**
 - **Developing Nations: 12%**
- **Expected ODS consumption growth rates in largest Developing Country Markets: 7% to 15%**
- **Major Developing Country ODS Producers: China, Brazil, India, Mexico, Argentina, South Korea, Venezuela**
- **Major Developing Country ODS use: Refrigeration**
 - **Refrigerants: 40%**
 - **Insulation: 30%**

ODS REDUCTION COSTS

- **Costs vary by sector:**

- **Producer:** **Manufacturers of CFCs, halons, etc.**
- **User:** **Manufacturers of equipment that use ODSs (such as refrigerators)**
- **Consumer:** **Final purchasers of ODS-using equipment**

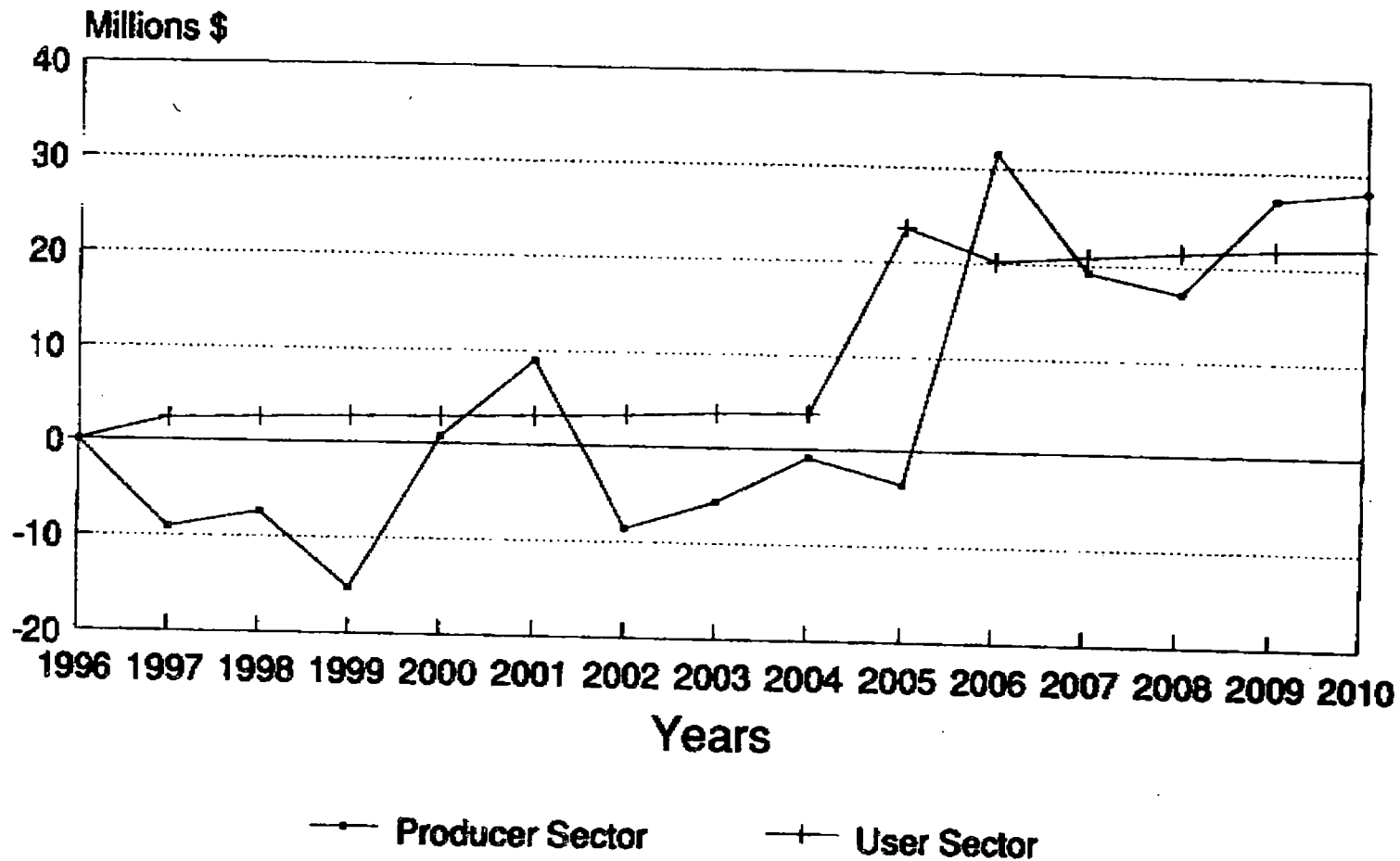
Exhibit 3

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Molded Flexible Foams	Water blowing	None	10% increase	Excellent alternative process
Solvents	Aqueous cleaning	\$10,000-\$130,000/machine	\$1,000-\$25,000 reduction due to CFC costs	Costs for aqueous cleaning will be less than solvent cleaning; technology available.

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Separator Sheet for Key Tables.

Exhibit 7

India's Cost Of Compliance In The Producer and User Sectors



India's Cost Of Compliance Consumer Sectors, 1st and 2nd Scenario

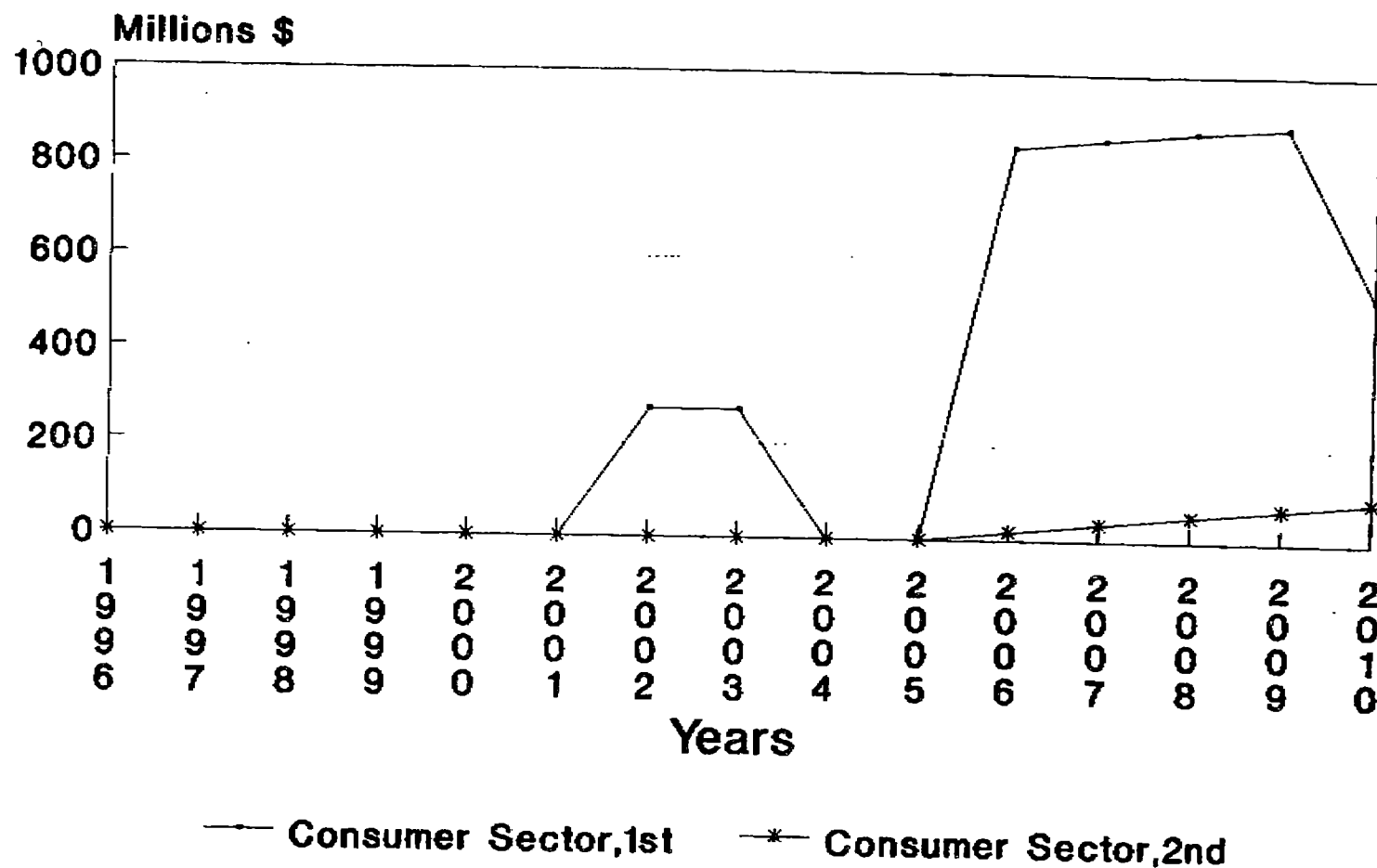
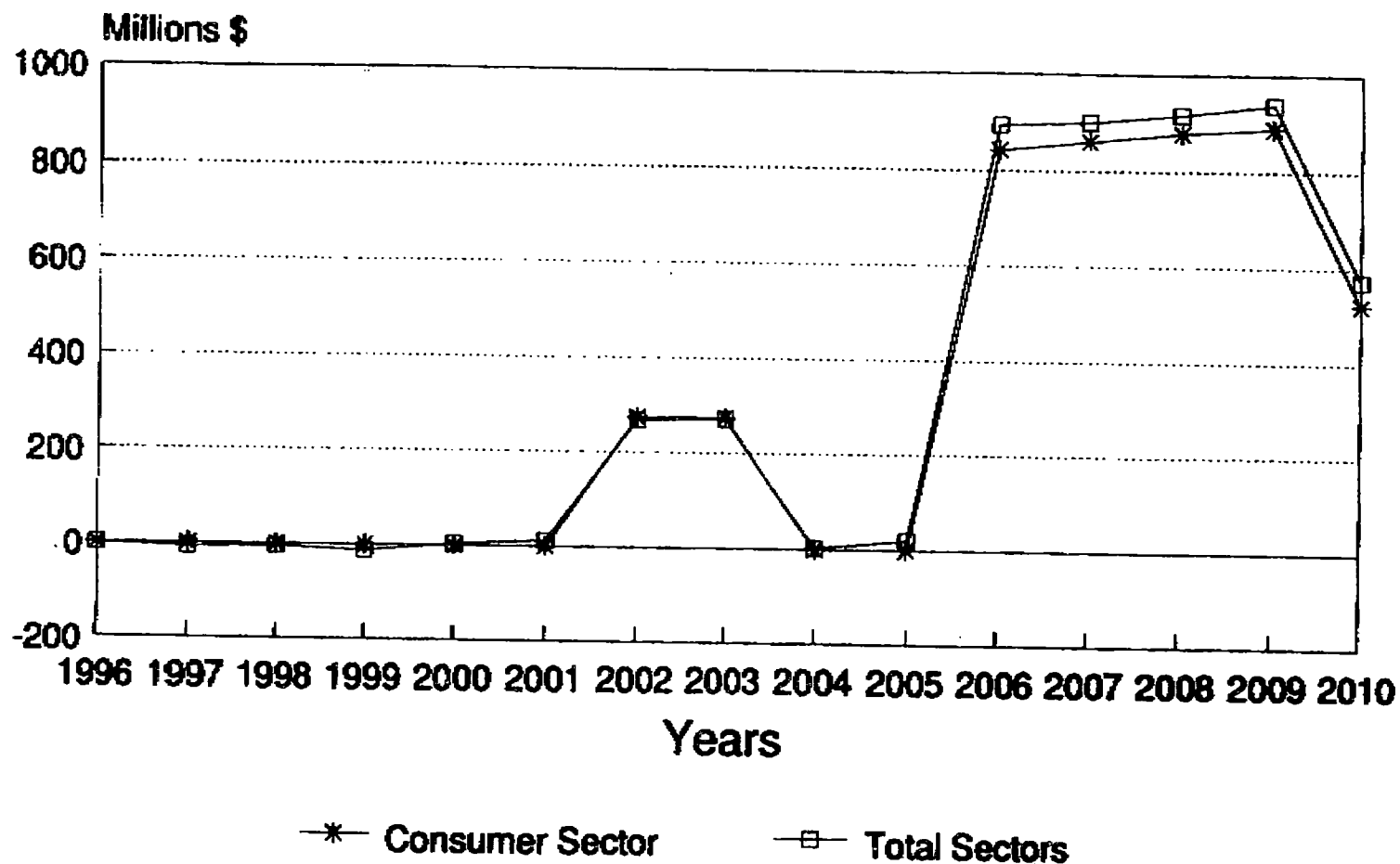


Exhibit 8

India's Cost Of Compliance Consumer And All Sectors



Total Sectors=Producer, User, and Consumer Sectors.

LESSONS FROM PREVIOUS EXPERIENCE

- Government commitment is crucial
- Programs must be developed on a country-by-country basis
- Efforts must be made to insure funds are used
- Country efforts should be centralized in a single national agency

CONCLUSIONS

- Individual country costs to comply with the Protocol will be low in the initial years. Estimates for India are less than \$3 million/yr, in its industrial (user) sector.
- Very large costs may be incurred by the consumer sector if ODS restrictions are implemented in a manner that make consumers prematurely retire refrigeration units. These can be as much as \$300 million/yr to \$900 million/yr for India. However these costs will not occur until 2004.
- Funding assistance for CFC conversion must be designed to effectively handle large numbers of relatively small loans. A special World Bank fund for ODS conversion loans may not be the best way to do this.

THE CHIEF of STAFF
has seenMAR
2 1990

LAWRENCE EAGLE-TRIBUNE • MONDAY, FEBRUARY 26, 1990

Sununu may prove formidable foe to environmentalists

By Maryanne Hope

Environmental organizations haven't had a really good whipping boy since former Secretary of Interior James Watt quit in 1983. But things are looking up: White House Chief of Staff John Sununu may qualify as a suitable successor for their wrath.

The National Wildlife Federation recently put out a newsletter entitled "Sununews." It carried a drawing of Mr. Sununu wielding a chain saw, along



Viewpoint

with an announcement that the newsletter would be published "each time Mr. Sununu pulls out his chief-of-staff chainsaw and cuts down progress toward strong environmental policy."

What got the environmentalists' dander up was Mr. Sununu's recent statement that "faceless bureaucrats on the environmental side" were trying to stop Americans from using coal, gas and oil. That was in response to reports that he had prevailed over Environmental Protection Agency chief William Reilly and toned down a speech by President George Bush on global warming.

That soon was followed by reports that Mr. Sununu had a hand in weak-

ening a federal agreement to protect wetlands. He also has been accused of trying to weaken clean-air legislation pending in Congress.

The Wildlife Federation and seven other environmental organizations sent a letter to Mr. Bush protesting that Mr. Sununu intervened in the three matters in ways "that not only adversely affected the environment, but also broke pledges you have made to the American public."

The White House doesn't seem particularly perturbed.

As long as the fire is directed at his chief of staff, Mr. Bush himself is less of a target for environmentalists.

In any event, his critics will find Mr. Sununu a formidable opponent. He does his homework. He's also less apt than James Watt to shoot himself in the foot. Maryanne Hope writes for the Scripps Howard News Service Washington Bureau.

Bush Environmentalist Speaks Up for Sununu

Deland Says He Works Well With Chief of Staff, Contrary to Charges by Conservationists

PROVIDENCE, R.I. (AP) — Despite news accounts to the contrary, and an adversarial relationship in their former posts, Michael R. Deland said yesterday he and John H. Sununu work well together in developing President Bush's environmental agenda.

As the New England regional director of the Environmental Protection Agency for six years, Deland was an outspoken and widely recognized protector of the environment, clashing with the former governor of New Hampshire a number of times on last week's leaders of environmental issues, such as expanding a ski area into the White Mountains National Forest.

Now Sununu is in charge as Bush's chief of staff and Deland reports to the former governor as chairman of the White House Council on Environmental Quality, a relationship that has been inaccurately portrayed in the media, Deland said at a news conference.

"Yes, Gov. Sununu and I did differ on a number of issues while I was regional administrator, but that does not set him apart from any other New England governor," Deland said.

It has been reported widely that Sununu has done battle within the administration and Hampshire's number of times on last week's leaders of environmental groups complained to the President that his chief of staff has undercut the environment.

Deland dismissed that criticism. "I think in large measure it has been unfair," Deland said.

yesterday, prior to a speech he was to deliver at Brown University on the 20th anniversary of Earth Day.

Deland cited a number of stories that said Sununu watered down a speech the President gave on efforts to deal with global warming. "That simply was not the case," he said.

The administration's position on global warming, he said, is that not enough is known about the phenomenon. "Before we can commit to a multi-billion, maybe multi-trillion, dollar wrenching of this economy and others, I and others in the administration, including the President, would like to recognize more solid information than we have on the table now," he said.

A lot of attention has been

given to Bush's efforts at establishing an environmental agenda as a result of his claims in the campaign that he would be the "environmental President." Deland said he believed the President is moving toward that.

Deland pointed out that the Council on Environmental Quality that he heads largely had been ignored in the Reagan administration but Bush has reinvigorated the office, boosting its budget by 132 percent.

"He would like very much to be known as the environmental President," Deland said. "He recognizes that is not a title to be bestowed but an honor to be earned."

Trudy Cox, departing executive director of Rhode Island's Save the Bay, said it is too early to grade the President on his environmental policies, but she is encouraged. "My reference point is this last year and a half (compared) to the previous eight years," she said. "There's been a lot of improvement."

One of the most pressing

environmental issues facing the world today, and which contributes to such problems as global warming, Deland said, is pollution in developing countries and the Eastern Bloc. Recent changes in Eastern Europe may help to change all of that, he said.

"We obviously will do all that we can by way of technology transfer and, if possible, financial assistance to clean up their very real environmental problems," he said. "We have an enormous leadership role to play."

Gilbert Sworn In as U.S. Marshal for NH

CONCORD — As colleagues, family and friends looked on yesterday, Robert Gilbert, 50, of Laconia, was sworn in by U.S. District Court Judge Martin Coughlin as U.S. Marshal for the District of New Hampshire. A lifelong Laconia resident, Gilbert was in the middle of his third term as Belknap County sheriff when he accepted the federal nomination for the post. After the ceremony in U.S. District Court yesterday, Gilbert said he knew he wanted a career in law enforcement as early as when he was a student at Laconia High School.

Gilbert began his law enforcement career in the military police branch of the U.S. Air Force after graduating from high school in 1959. In 1966, Gilbert served as Belknap County Superintendent of Corrections. He is also a graduate of the National Fire Academy and the FBI National Academy.

Sheriff Jordan, who was present at the ceremony along with numerous federal and state officials, said that Gilbert has long been known in the association as an extremely reliable enforcement officer.

"He is someone we could always rely upon," Jordan said. Gilbert succeeds Sydney Goldberg, who had been sworn in as interim marshal after Don Waite, an interim appointee.

Permanent marshals are nominated by the President of the United States.

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THE CHIEF of STAFF
has seen

FEB 22 1990

February 21, 1990

MEMORANDUM FOR JOHN H. SUNUNU

FROM:

LEE L. VERSTANDIG *lee*

SUBJECT:

Reflections on the Department of the Environment

As you may recall, back in early July, 1988, I wrote to the then-Vice President, through Craig Fuller, recommending reasons why the Vice President might come out in favor of the creation of a Department of the Environment (I forwarded a copy of that letter to you). For whatever reasons it was decided then to hold off on endorsing such an idea, it is now clear that it's time has come and the President has been most forthright in his support of pending legislation to create such a department.

My arguments back in 1988 for the creation of such a department were in part some of the same reasons currently being aired in support of the pending legislation, including having the President's environmental spokesman on the same ministerial level with other governments, having the President's environmental spokesman both at the Cabinet table and at other policy levels at the White House, as well as given the President's commitment to be an environmental President, adding stature to EPA, internationally, in the years ahead.

One of my other principle reasons for recommending the creation of a Cabinet-level Department of the Environment was as a result of my experiences as Acting Administrator at EPA. Because EPA has been mandated since 1970 as essentially a regulatory agency, it has had rare opportunities to be pro-active or to really develop long-range environmental policy considerations. (You and I know this only too well when we worked together with NGA on the acid rain issue in 1984). The establishment as a department should provide for an Office of Policy Development which would assist the President in longer-range policy considerations which has not been the case for EPA in the past. This would provide a very essential dimension for the President.

During the past few weeks I have been concerned with the perception in the Congress, and especially among many Republicans, that the Administration is anxious to move the pending legislation (S.2006 and H.R.3847) quickly to enactment and have it signed into law by Earth Day. I was pleased to learn from Ed Rogers that this perception is not correct. While clearly enactment of such legislation on the 20th Anniversary of Earth Day would be a timely achievement for the President, my concerns are that there appears to have been very little careful thought and attention to the organization, structure and management of the proposed Department of the Environment. The pending legislation itself is vague and recent testimony before the Senate Government Operations Committee has certainly not focused on those aspects.

Given my previous association with EPA and the commitments of the President to environmental matters, I have more than a casual interest in hoping that a new Cabinet-level department would have a well thought out structure and organization which would really be able to assist the President in these important areas in the future. For those reasons, permit me to share with you some of my concerns, observations and suggestions.

The pending Senate legislation (S.2006) speaks to the establishment of not more than ten Assistant Secretaries in such a department, but lists appropriate areas of their responsibilities to include some 13 areas, many of which presently exist at EPA. Clearly, consideration should be given to the consolidation or even omission of areas in the new departmental structure. Three important areas which warrant Assistant Secretary or office-level consideration but are not included are:

o Congressional Relations

While this office has been extremely small in the past and relatively ineffective, in a department structure it will be far more important, especially if the department is to carry out prospective policy planning and coordination with the Congress.

o Business Liaison

During my tenure at EPA, given some of the problems which beset the Agency, an Office of Business Liaison was created within the Office of External Affairs which served as a link between the private sector and business interests and those necessary environmental interests and concerns within the Agency. In recent years, this office has been reduced in scope and responsibility and is now only a part of the intergovernmental operation. While ten years ago, the business community may have been major polluters and violators of environmental regulations,

today, most businesses and corporations seek to be in compliance and to interface with the appropriate Federal departments or agencies in planning how they might participate to improve the environmental life around them. Presently, it is very difficult for corporations and businesses, large and small, to communicate with EPA and especially to be able to sit at the table and discuss their role, problems and opportunities. However, more and more we are counting on them to work cooperatively in viable private/public partnerships to improve the environment and quality of life. Other countries, such as Germany, have developed a much more responsive private sector relationship with the environmental branch of government.

o Field Coordination

EPA is clearly a decentralized Federal agency which by its nature evolves much of its authority and responsibilities to the regions where the problems exist and the solutions are required. While clearly this decentralized concept should be maintained in a new department, more careful consideration should be given to the structure and coordinating responsibilities of that office vis a vis the new Secretary and the appropriate Assistant Secretaries and program areas.

In my opinion, there are several other areas which warrant further consideration in the organizational planning and management structure of the new department. They include:

o Intergovernmental Relations

While this office was established during my tenure in 1982 within the Office of External Affairs, it has been significantly downgraded in recent years. Given the increasing roles and responsibilities in environmental matters being delegated to state and local levels of government by the Congress, serious consideration should be given to the future role and importance of this office. Additionally, GAO, in their testimony before the Senate Government Operations Committee on February 8, indicated "that EPA needs to develop more effective working relationships with state and local governments, who are to a great extent responsible for carrying out federal environmental programs".

o International Activities

Clearly, given the President's commitments to the environment and the leadership that EPA has sought to date in this area, the Office of International Activities

in the new department will be most important. In the past, this office has played a minor role at EPA. During my tenure, this office was strengthened and grew under Bill Ruckelshaus and Lee Thomas. Bill Reilly has elevated the senior official in that area to that of Associate Administrator status. However, to date, this office has not yet been developed into the kind of office that would be required to assist in playing a more major leadership and supporting international role for the new department in the years ahead.

- o Given the mandate to create a Department of the Environment, there are several other offices within the Executive Branch which serve environmental concerns and might warrant consolidation consideration.

During my tenure at EPA, the Office of Enforcement and Compliance was created separate from the Office of the General Counsel, because there was clearly a need for greater responsiveness to enforcement and compliance. This required increased coordination and cooperation with other relevant departments in the Executive Branch such as Justice and Interior. It seems appropriate that consideration might now be given within the new department to transferring other offices of the Executive Branch which have coordinating responsibilities for environmental matters. These might include the National Oceanic and Atmospheric Administration (NOAA), several offices within the Department of the Interior and even the Council on Environmental Quality (CEQ).

From my own experiences, it is evident that some of EPA's problems stem from poor management and organization. We would not want to see those or similar problems continue to exist under a newly-created department and thereby jeopardize the effectiveness of the department and in assisting the President in this important area. In fact, GAO, in August, 1988, produced a major management review of EPA which set forth a number of management needs which should be considered in any review and subsequent recommendations regarding a new department. They include:

- 1) better means for measuring the effectiveness of its programs;
- 2) better financial and other management information systems;
- 3) better internal controls; and
- 4) better organizational structure.

Title V of the pending legislation (S.2006) calls for the creation of a Commission which would examine the nature and scope of the department in terms of organization, management, regulation and governmental service delivery and submit its interim recommendations to the President and Congress in no later than 12

months and a final report in no later than 24 months. During the time it would take for the Commission to investigate and make even its interim report, the new department would essentially function as the old agency, but now known as a department. Consequently, the old and potential problems of management, program and policy planning and organization would be in flux at a time when the President would need the proper departmental structure and support to set forth and carry out his environmental agenda. It would seem more appropriate that if the Commission recommendations are required after enactment of the legislation, that they be completed and submitted to the President and Congress in a much shorter period of time -- say 3 to 6 months.

I hope that some of my thoughts, observations and suggestions will be helpful to you and your staff as you proceed with carrying out the President's intention to create a new Department of the Environment. Please let me know if I can be of any further assistance. This is an area in which I have a professional dedication to EPA and personal interest in assisting the President.

BOND DONATELLI

I N C O R P O R A T E D

February 20, 1990

THE CHIEF of STAFF
has seen

MEMORANDUM

TO: The Honorable
Governor John Sununu
Chief of Staff

FROM: Rich Bond 
Bond Donatelli, Inc.

RE: Environmental Assignment for Vice President Quayle

I want to propose a short term assignment be given to President Quayle by the President for the formulation of a Bush Agenda for the new Cabinet level EPA.

Obviously Reilly, the media and environmentalists will hate the idea. However, given the spate of recent stories that indicate Reilly and others at the EPA are willing to take on the President, you, Dick Darman and others to further "their agenda", isn't it time for the President to articulate his agenda?

In addition, you are aware of the problems the Vice President continues to experience in his public standing. Acceptance of him by the voters will be a multi-year process. Why not attempt to address two problems simultaneously by getting the Vice President involved in the issue of the '90s and also properly advance the President's agenda?

It is possible that the President will sign the new Department into law by April 22, 1990 (Earth Day). Announce that the Vice President will chair a two month review process to be composed of representatives of EPA, Energy, Interior, Transportation, the Council on Environmental Quality, and the White House. Their task will be to assemble input from Congress, the business community, the labor community, and the environmental community.

They will then issue a "Bush Blueprint" for the new Department that specifically outlines priorities and tangible goals to be achieved by a Bush Department of the Environment. This would call for a balance between environmental and economic interests while still issuing a call to all Americans for a greater environmental consciousness. Hopefully, the results will do just that, as well

as forcing Reilly back onto the team and raising the Vice President's positive ratings. In order for the Environmental head to hit the ground running, a thorough review of environmental issues should begin immediately, something akin to a transition team report.

Reaction?

6TH STORY of Level 1 printed in FULL format.

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ENV
April 13, 1990, Friday, NASSAU AND SUFFOLK EDITION

SECTION: NEWS; Pg. 4
Other Edition: City Pg. 15

LENGTH: 674 words

HEADLINE: EPA Chief Criticizes Bush Critics

BYLINE: By Susan Page. Newsday Washington Bureau

DATELINE: Washington

KEYWORD: WILLIAM REILLY; AIR POLLUTION; ENVIRONMENT; LAW; JOHN SUNUNU;
BUSINESS; INDUSTRY; MEETING; ENVIRONMENTAL PROTECTION AGENCY

BODY:

EPA Administrator William Reilly, who headed two conservation organizations before taking over the key federal agency, yesterday lashed out at environmental activists, saying they hurt their own cause by being relentlessly critical of President George Bush and White House Chief of Staff John Sununu.

As a result, Reilly said in an interview, environmentalists were excluded from a recent White House meeting with business and industry leaders to discuss the Clean Air Act. In policy deliberations, the Environmental Protection Agency chief said, he no longer argues that environmentalists will praise an administration initiative, no matter what it is.

"They haven't learned to deal with a White House [that] clearly wants to engage them, take their ideas and move the environmental agenda forward," Reilly said. "Maybe it's expecting too much to expect that they will, but I think it's going to hurt the [environmental] community."

He particularly faulted environmentalists for focusing on Sununu, who has become a lightning rod for criticism on environmental issues. Reilly called that "unfair to the truth and politically a very unwise tactic."

Several leaders of environmental organizations expressed surprise at Reilly's comments, which an EPA spokesman said were harsher than any he has made publicly before. "What it does is signify that Bill is being co-opted, and co-opted in order to, I presume, be a more effective team player," Jay D. Hair, president of the National Wildlife Federation, said in a telephone interview.

"I think he's saying what he has to say to earn his way out of purgatory," said Michael McCloskey, chairman of the Sierra Club, who noted that Reilly has had his loyalty to the administration questioned after losing several internal battles.

But the environmentalists said they were not likely to temper their criticisms as a result. "When the trend line is not pro-environmental protection, Mr. Bush has to be called to task on that," Hair said. "It's too bad if the truth pinches in certain places."

Until last year, Reilly himself led two environmental organizations, as president of the World Wildlife Fund and the Conservation Foundation, two affiliated environmental organizations with 300,000 members and a reputation for moderation. His appointment to head the agency was hailed by many environmentalists as a sign of Bush's commitment to their issues.

In recent months, though, Reilly has seen his influence wane after clashes with Sununu and Budget Director Richard Darman. At Sununu's initiative earlier this year, a federal agreement to protect threatened wetlands was weakened, and Bush backtracked from statements he made during the campaign on the need to counter global warming. Both decisions were roundly criticized by environmentalists.

But Reilly - in an interview with Newsday in his office at EPA headquarters, with its panoramic view of the Potomac River and the Jefferson Memorial - went out of his way to praise Sununu.

"It is I think a tribute to the president's environmental interest that his chief of staff is heavily engaged in environmental issues and probably understands those issues better than any previous chief of staff we've ever had," he said. "I regard him as an extremely important part of the process that's gotten us the significant initiatives we've gotten."

He complained that environmentalists "put a chill on the relationship" with Sununu in February by sending a letter to Bush - and immediately holding a news conference to release it - demanding a presidential meeting to discuss their complaints with the chief of staff. Bush never replied to the letter.

And Sununu's reaction?

Reilly said: "He didn't say it, but certainly the mood was, 'Why bother with these people?' "

Environmentalists sometimes use criticism as part of a political calculation, Reilly said, but over the long term they damage their effectiveness with the administration. He said, "The environmental community has never historically accomplished the use of carrots."

GRAPHIC: Photo By Pam Price-William Reilly

5TH STORY of Level 1 printed in FULL format.

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April 16, 1990, Monday, NASSAU AND SUFFOLK EDITION

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HEADLINE: Bush, Environmentalists at Odds

BYLINE: By Susan Page. Newsday Washington Bureau

DATELINE: Washington

KEYWORD: GEORGE BUSH; ENVIRONMENT; POLLUTION; AIR POLLUTION; PRESIDENT;
CAMPAIGN; ISSUE

BODY:

Just three weeks after he was elected president in 1988, George Bush met with more than 30 environmental leaders, who emerged from the White House hailing him as a breath of fresh air after nearly a decade of stalemate on key environmental issues.

But now, Bush and many environmentalists no longer seem to be on speaking terms.

As the 20th anniversary of Earth Day approaches this week, environmentalists and other officials active in the field charge with some bitterness that Bush has reneged on commitments he made in 1988 while campaigning to be "the environmental president."

While they praise him for providing critical impetus for the revised Clean Air Act, and for displaying more concern about the environment than his predecessor, environmental activists complain that the president has backtracked on campaign promises to protect dwindling wetlands and to tackle the problem of global warming. And the critics lament that EPA Administrator William Reilly has been frozen out of decision-making on key issues in favor of White House Chief of Staff John Sununu and budget director Richard Darman.

Also, environmentalists no longer receive invitations to the White House. They recently were excluded from a White House meeting held with utility and automobile representatives to discuss the Clean Air Act because Sununu complained they were just chronic complainers. A group of eight leading environmentalists - many of whom had attended the optimistic post-election session - wrote Bush a letter in February asking for an "emergency meeting" to raise concerns about Sununu and to clarify the president's positions on environmental issues.

The White House has not replied. Even Reilly complained last week that the environmentalists had criticized the president too much to expect to be consulted.

"He plants trees and he issues Earth Day proclamations," Michael McCloskey, chairman of the Sierra Club, said of Bush, "but he has surrounded himself with a palace guard who seem to be intent on keeping anything substantive from happening."

Jay D. Hair, president of the National Wildlife Federation, called the president's record "a checkered one when it comes to the environment."

Sen. Al Gore (D-Tenn.), a leader in Congress on environmental issues, said bluntly, "His actions make his statements during the campaign those of a faker."

Business and industry officials generally give Bush good marks for balancing environmental protection with economic development, though there were some complaints that the administration's Clean Air provisions placed too great a burden on them. "He's followed a fair and middle ground," said Harvey Alter of the U.S. Chamber of Commerce.

"The president has done everything one could have expected" on environmental issues, Reilly said in an interview in his office. "I cannot think of a more intense and productive period for the environment than the last 14 months of the Bush administration."

He cited a litany of actions on environmental concerns. The administration has strengthened pesticide restrictions, begun a seven-year plan to ban nearly all uses of asbestos, and pledged to phase out by the turn of the century use of chlorofluorocarbons, which are believed to contribute to the destruction of the Earth's protective ozone layer. Bush and the leaders of six other major industrialized democracies for the first time discussed global environmental concerns at length at their annual economic summit last summer.

A White House-sponsored conference on global warming is scheduled to open tomorrow; the president also has proposed elevating the EPA to cabinet status.

Compared with the record of President Ronald Reagan, environmentalists concede, that is an ambitious environmental agenda. "A godsend," said Jim Maddy, executive director of the League of Conservation Voters. Reagan had ridiculed the need for environmental legislation and regulation - suggesting during the 1980 campaign that trees cause pollution - and he appointed environmental officials such as James Watt and Anne Gorsuch, who campaigned to slash their agencies' budgets and regulatory authority.

But compared with the agenda candidate Bush laid out during the campaign - and the environment was an important issue for him, particularly in gaining support in such key states as California and New Jersey - President Bush has been more concerned about costs and more leery of scientific conclusions than he said he would be.

On the issue of global warming, for instance, Bush had promised to act, and fast. "Those who think we're powerless to do anything about the 'greenhouse effect' are forgetting about the White House effect," he told a cheering audience in Michigan during a three-day campaign blitz devoted to environmental issues. "As president, I intend to do something about it."

But as president, Bush has simply funded further study. In a major speech in February, he raised questions about whether scientists are certain there is

a gradual warming of the earth's atmosphere because of carbon dioxide buildup, and he emphasized the need to reconcile environmental protections with economic development.

And this week's White House conference on the issue is considerably less ambitious than the one Bush had said he would convene during his first year as president. At the meeting, White House officials said, the administration will call for more research but propose no timetable for dealing with the problem.

On the question of protecting the nation's wetlands, Bush had assured conservationists he would set a national goal of "no net loss of wetlands." But the White House - over Reilly's objections at the EPA - this year altered a federal agreement to weaken a requirement that wetlands be protected or replaced if they are threatened by development.

On the question of offshore oil drilling, Bush had promised to block drilling in environmentally sensitive areas, a critical political issue in California and Florida. As president, he suspended lease sales off those states' coasts more than a year ago, pending further study. Now, he reportedly is poised to open drilling in at least some areas off California.

Then there is Boston Harbor, the disgusting-looking, sewage-contaminated port featured in one of Bush's most prominent campaign commercials. It also provided the backdrop for one of his most memorable campaign appearances. "The dirtiest harbor in America," he had declared gleefully, attacking his Democratic opponent, Massachusetts Gov. Michael Dukakis, for inaction.

As president, however, Bush not only has proposed no funds for the specific cleanup of Boston Harbor, but also has called for cuts in federal funding nationwide for water pollution abatement and sewage programs.

"Given the fact that he earned so many points campaigning on Boston Harbor and on the Jersey shore and the California coastline, he hasn't matched his rhetoric with performance in the protection of water," said Thomas C. Jorling, New York State environmental commissioner. **[(The following Appeared C Version) "He still has a huge burden before anyone can conclude that his is an environmental presidency."]

George Frampton Jr., president of the Wilderness Society, agreed. "At various places on various issues, progress is being made, slowly," he said. "But on some of the big issues - like oil [drilling] and forests and global warming - there's no progress, and across the board there's virtually no leadership."

Bush has emerged as a principle target for the Earth Day activities slated across the nation Sunday, when he is scheduled to be out of sight, fishing off the Florida Keys.

"Our objective is to communicate strongly to national leaders that the public is worried about these issues, the public believes we have studied them enough to know what the problems are," said Denis Hayes, chairman of Earth Day 1990 and executive director of the first Earth Day event in 1970.

"If you want to be known as the environmental president," he added, "you have to start delivering."

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STATEMENT BY

AMBASSADOR MORRIS B. ABRAM

**U.S. Permanent Representative to the U.N. Office
and other international organizations in Geneva**

to the

**Second Preparatory Meeting for the
UNITED NATIONS CONFERENCE ON ENVIRONMENT AND DEVELOPMENT**

Nairobi, August 7, 1990

Highlights:

- The U.S. environmental record is second to none; we were the first to warn the world of the threat of ozone layer depletion.
- The 1991 U.S. budget sets aside more than \$1 billion for scientific research on global climate change; the U.S. led the call for the creation of the IPCC.
- We challenge and would welcome any other nation to adopt clean air, clean water, and hazardous waste disposal laws as tough as ours.
- The U.S. has as many "greens" as any other nation; they make a difference because they can use the ballot box and the free press to affect policy.
- Even where the dangers to the environment are uncertain and the scientific verdict unclear, the US will still act, provided the policies pursued are themselves useful.
- Competition and profit are no more the spoiler of the environment than statist economies are its protectors; compare the smoke-free air of industrial Pittsburgh with the fouled air over Eastern Europe's industrialized cities.
- We must put our faith in those things which have a proven track record: the free market and the encouragement of human ingenuity. When to these are added the community interest, exercised through responsible government, we can have the environmentally sound and sustainable development all men deserve.

2
Last March, at the organizational meeting of this body, my government stressed our pride in participating in this monumental undertaking. As we observed then, the world's resources are neither invulnerable nor inexhaustible. Our work gives us a unique opportunity to identify and build strategies to reverse the effects of environmental degradation and for cooperation to achieve environmentally sound and sustainable development world-wide. All countries share this responsibility.

In the brief time allotted I shall discuss: 1) The nature and depth of my country's commitment to doing its share to preserve the earth, seas and air; 2) Demonstrate the compatibility of the market economy (which maximizes development) with sound environmental practices; 3) Plead for the advancement of environmental technology by protecting the incentives of human ingenuity and invention; and 4) Address the special needs and concerns of developing countries.

First America's commitment. I sometimes hear comments reflecting either a misunderstanding or diminution of America's contribution to environmental protection. Our record is second to none; it clearly demonstrates the leading role we will continue to play in the task before us:

- ozone depletion: our scientists first warned the world of the threat of ozone layer depletion; we called for the first international convention for the protection of the ozone layer; and we are, along with the other signatories of the Montreal

Protocol signatories, committed to phase out CFCs by the year 2000, provided safe substitutes are available. In the meantime, our government has placed an incentive charge on CFC users to quicken the search for safer alternatives.

- global warming: Our 1991 budget sets aside more than \$1 billion for satellite, oceanographic, and other scientific research on global climate change. My government led the call for the creation of the Intergovernmental Panel on Climate Change to study the problem and formulate responses.

- offshore oil drilling: last month, President Bush announced that vast areas of America's coasts would be off limits to oil development at least until the year 2000;

- environmental regulation: the President has asked Congress to add \$750 million dollars to the EPA's \$5 billion annual budget to clean up wastes at federal facilities;

- acid rain: pending legislation will eliminate within 10 years half of all emissions that cause acid rain;

- clean air legislation: the President proposed the first major rewrite to the Clean Air Act in over a decade to reduce emissions that cause acid rain, smog, and toxic air pollution

More still needs to be done to protect the environment; we know that our record is not perfect. But we challenge and would welcome any other nation to adopt clean air, clean water, and hazardous waste disposal laws as tough as ours.

Others sometimes forget that America is not just Washington and the federal government. We are concerned about the environment; we have as many "greens" as any nation and they are an aggressive lot. The Sierra Club, the World Wildlife Fund, the Audubon Society, and the Natural Resources Defense Council -- to name a few -- single-mindedly campaign to hold the United States Government accountable for the environment. They are the conscience of our ecology; they make a difference because they can use the ballot box and the free press to effect policy. Former spokesmen of these organizations hold key decision-making positions in Washington. EPA Director William Reilly was head of the World Wildlife Fund; Assistant Secretary of State Buff Bohlen, who heads our delegation here, was also associated with the WWF. There are many more conservationists in decision-making positions.

The United States comes to this conference pledged to act swiftly where the real dangers exist. But even where the dangers are uncertain and the scientific verdict unclear, we will still act, provided the policies pursued are themselves useful. For this reason the United States, along with the G-7 nations at the Houston Economic Summit, adopted a "no regrets" CO2 emissions policy. The Summit Declaration states that "in the face of threats of irreversible environmental damage, lack of scientific certainty is no excuse to postpone actions which are justified in their own right." We reaffirm that commitment today.

We are convinced that the best way to achieve environmentally sound and sustainable development is by relying on proven tools -- the free market, a climate friendly to investment, and our God-given ingenuity.

Competition and profit, contrary to some contentions, are no more the spoiler of the environment than statist economies are its protectors. Compare, for example, the smoke-free air of industrial Pittsburgh with the fouled air over Eastern Europe's industrialized cities. A true market system would ensure that the cost of pollution is taken into account -- with the government prepared to act as trustee of the environment, and make certain the cost of clean air, clean water, and clean land is built into the price of production.

The producer pays for his electricity, his labor, the raw materials that make up his product and the land on which his factory sits. But society pays the price for the air he pollutes and the water he fouls. That's a free ride we can no longer afford. Governments can collect the toll from the polluter by demanding that he return the air and water as he found it -- or pay the price of cleaning it up.

Injecting market realities into the clean-up of the environment is a crucial step; but environmentally sound development is not cheap, and much of the world is poor; many nations lack the savings necessary to fund environmental technologies. Without capital, they can seek to exploit the environment as the price of

development, a strategy which ultimately will fail.

We live in a time when the demands for development have never been more urgent. The world's population has nearly doubled in the last 30 years; it will almost double again in the next 30 years. And of the nearly 8.2 billion anticipated by the year 2025, 6.8 billion -- 80 percent of the world's population -- will be living in parts of the world where development is most desperately needed.

They have a right to the opportunity to develop; they have the right to consume energy, to grow food, to develop industry, and to better their lives. But we can no longer run the risk of promoting development on the cheap.

There is a way out -- to encourage, or at least not discourage, foreign investment, provided non-polluting technologies are used.

Foreign investment is the only ready source of the four elements of development: capital, management, trained labor and markets. However even a friendly attitude will not bring foreign investment without stable, honest governments which respect human rights, afford due process and protect private property. None of these require either aid or technology transfer. All of them, however, promote development by creating the conditions that bring in capital, investment, and technology.

Finally, government must protect ownership of intellectual property. Ingenuity is our one inexhaustible natural resource --

if it is protected. Insuring that inventors and scientists reap the fruits of their intellectual labors is the only way to direct man's talents toward the discovery of environmentally sound technologies. When safeguarded by governments, intellectual property can be the engine of innovation; when expropriated by governments, man's talents are stymied and the well of ingenuity dries up.

We can promote development without despoiling the earth, but it will take massive, concerted, global action: We must, as Ben Franklin once said, "hang together, or assuredly we shall hang separately."

The way to accomplish this is by putting our faith in those things which have a proven track record: the free market and the encouragement of human ingenuity. When to these are added the community interest, exercised through responsible government, we can have the environmentally sound and sustainable development all men deserve.