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FOIA MARKER

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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: White House Offices Files

OA/ID Number: 29175
Folder ID Number: 29175-009

Folder Title:
Cabinet Affairs (1989) [1]

Stack:	Row:	Section:	Shelf:	Position:
G	15	25	4	6

Withdrawal/Redaction Sheet

(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
01. List	Domestic Policy Council Issues (12 pp.)	12/13/89	P-5	

Collection:

Record Group: Bush Presidential Records
Office: Chief of Staff to the President, Office of the
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WHORM Cat.:
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Open on Expiration of PRA
 (Document Follows)
 By DC (NLGB) on 5/12/2005

Date Closed:	11/29/2004	OA/ID Number:	29175-009
FOIA/SYS Case #:	1998-0004-F	Appeal Case #:	
Re-review Case #:	2005-0426-S	Appeal Disposition:	
P-2/P-5 Review Case #:		Disposition Date:	
AR Case #:		MR Case #:	
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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]
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 P-3 Release would violate a Federal statute [(a)(3) of the PRA]
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 (b)(9) Release would disclose geological or geophysical information

CLOSE HOLD

DOMESTIC POLICY COUNCIL ISSUES

CURRENT (December 13, 1989)

Anti-Poverty Agenda —

Border Control *Richard Buesador*

Disabilities *Legislation*

TASK FORCE/FEB Education: Hispanic education/Literacy/Math and Science

Family report *EX-30-04034-*

Global Change *Working Group/Montreal Protocol/Reforestation*

Health care system reform

Immigration *Admin Policy ?*

National drug control policy

OCS Task Force *Build Better America - Draft*

Task Force Tort Reform: Medical professional liability/Volunteer liability

Waste Disposal: RCRA reauthorization/Waste export *after clean air act*

Wetlands *MDA---*

RECOMMENDED

Civil justice reform *Initiatives by Brookings ?*

Marine waste *EPA Initiative*

Seafood safety

CURRENT ISSUES

ANTI-POVERTY AGENDA: The DPC held meetings on an Administration low income opportunity agenda in November and December. At the last meeting, the DPC directed the Low Income Opportunity Board to: 1) refine its legislative proposal for "low income opportunity zones"; and 2) develop a comprehensive "intellectual road map" for an Administration anti-poverty agenda, which includes consideration of employment and economic incentives.

BORDER CONTROL: The DPC will follow up on the recommendations and issues remaining to be addressed from Vice President Bush's Task Force on Border Control. The issue had been pursued by Richard Breeden and it was transferred to DPC upon his departure.

DISABILITIES: The book Building a Better America asked the Working Group on Americans with Disabilities to review current federal activities benefiting persons with disabilities and identify ways to improve these efforts. A memorandum is being prepared directing agencies to begin this review so that a plan can be developed to make current efforts more efficient and effective.

EDUCATION:

Hispanic Education: On December 6, the President directed Secretary Cavazos to establish a Task Force on Hispanic Education within the Education Working Group, chaired by Secretary Cavazos. The Task Force will complete an interim report by the end of February 1990 and will coordinate with the work being done on the National Education Goals.

Literacy: The Education Working Group has been preparing an options paper for an Administration strategy to improve literacy, pursuant to interests expressed by the First Lady. The paper has received extensive review and revision and lays out both a long and short-term strategy. The DPC will consider the paper in early January 1990 and will coordinate with the work being done on the National Education Goals.

Math/Science Education: Secretary Watkins is preparing a Department of Energy Action Plan to help improve education in math and science, as a follow-up to a conference in San Francisco this past October. Secretary Watkins has asked that the Education Policy Working Group coordinate this effort and DOE will brief the working group on the action plan with a briefing of the DPC also scheduled. Public announcement of the plan is scheduled for January.

FAMILY REPORT: The DPC Children and Family Policy Working Group will draft the annual report on the family to be presented to the President in March. DPC consideration of the report is anticipated for early February. The report will include statistics on the changes in American families, and reflect the children and family principles articulated elsewhere by the Administration (eg. the child care proposal). On September 13, the President transmitted to Congress his two adoption legislative proposals. Work on adoption policy and initiatives will continue.

GLOBAL CHANGE:

Working Group: The Global Change Working Group has begun a detailed study of the issue of global climate change. Three task forces have been created to look at various aspects of the problem: economic, private sector activities, and legal precedents. The Working Group will also need to develop U.S. policy positions for the IPCC meeting and the agenda and any proposals for the Bromley-Boskin conference.

Montreal Protocol (ozone depletion): Representatives of the Parties to the Protocol met recently to develop amendments to modify the international agreement. International negotiations on the amendments will begin in February 1990. The Administration must decide its position on several of these amendments, including an expansion of the Protocol to phaseout ozone-depleting chemicals in addition to CFCs. An options paper on four of these issues has been prepared and will be discussed by an interagency working group.

Reforestation: Several Presidential reforestation proposals have been developed by an interagency task force. Elements of the proposals with budget implications have already been considered in the budget review process and the remaining policy issues have to be considered and decided. A draft options paper has been circulated within the White House and is ready for DPC consideration.

HEALTH CARE SYSTEM REFORM: The Health Policy Working Group is exploring a broad health care reform initiative. An OMB meeting with the President should gauge initial reactions to possible approaches (eg. a tax cap on employer provided health benefits). There is great interest among Cabinet members to review reform proposals.

The bipartisan Congressional Pepper Commission is scheduled to make its reform recommendations by the end of March. In addition, the Social Security Advisory Council is expected to make recommendations on overall reform in July. An orderly process is key to appropriate consideration of these issues.

IMMIGRATION: An interagency working group has developed a consensus Administration policy on legal immigration. An appropriate legislative strategy is needed for the proposal. Because of the sensitive political nature of this issue, and the status of legislation on the Hill, it is anticipated discussion would occur among a small group of interested Cabinet members prior to advancing any proposal. Cabinet-level discussion is now anticipated for mid-December.

NATIONAL DRUG CONTROL POLICY: The law requires the President to transmit a Strategy each year on February 1. Policy discussion at the Working Group level is expected to begin on December 18, after the FY91 budget levels are established. DPC consideration of Strategy II will occur the first two weeks of January. The Supply and Demand Coordinating Committees established under the September 5 Strategy are also considering coordination issues, which may be elevated to the DPC and NSC as necessary.

OCS TASK FORCE: The Outer Continental Shelf Task Force, requested by the President in the book Building a Better America, is scheduled to report to the President on its findings by January 1, 1990. The issue affects a number of DPC members and it will be useful to have the DPC look at the report prior to a Presidential decision on the options presented therein. The first draft of the report will be completed by December 15, and an options paper on the report will be developed.

TORT REFORM:

Medical Professional Liability: Proposals for medical professional liability reform are being prepared by OPD. Options on whether the Administration should propose such an initiative have been prepared for consideration by the DPC during the week of December 18. If approved, the initiative will be developed further with final DPC consideration anticipated in early January.

Volunteer Liability: The DPC Tort Reform Working Group has done considerable research into the issue and held a series of meetings with private sector groups to explore further the effect of liability concerns on volunteer efforts. They are currently completing an options paper of possible federal actions that could be ready for consideration by the DPC by late December.

WASTE DISPOSAL:

RCRA Reauthorization: Work is underway in the Administration and in Congress to begin consideration of reauthorizing the Resource Conservation and Recovery Act (RCRA). As soon as the Clean Air Act is completed by the Hill, efforts will focus on RCRA reauthorization. A working group is looking at the issues to determine an appropriate Administration position.

Waste Export: The Administration must decide by February 1990 whether the U.S. should sign the Basel Convention on the Transboundary Movement of Hazardous Wastes. A decision was made at a meeting chaired by Governor Sununu that before we would consider signing the convention we would review legislation prepared by EPA that would implement the convention. OMB is holding the circular 175 until the legislation is developed.

WETLANDS: The President called for a "no net loss" of wetlands as a national goal and the establishment of a wetlands inter-agency task force under the Domestic Policy Council to revise and strengthen the current Presidential executive order on wetlands protection. There has been considerable outside interest in the Task Force, which has met twice. It plans to coordinate and assess implementation of the no-net-loss goal by Federal, State, and local governments and the private sector, as well as foster public understanding of the value of wetlands.

RECOMMENDED

CIVIL JUSTICE REFORM: The Administration may wish to consider development of a broad-based initiative to reduce costs and delay in civil litigation. The rudiments of such a plan have been developed by a 36-member working group convened by the Brookings Institution, together with Rand Corp's Institute for Civil Justice. The plan represents common ground between diverse interests. It has received wide endorsement from trial lawyers, representatives of the insurance industry, major corporations, judges, civil rights advocates, environmentalists and others. Recommendations seek to improve the efficiency and fairness of civil litigation in the federal court system. The Department of Justice is interested in exploring the question.

MARINE WASTE: In Building a Better America, the President promised to establish a medical waste tracking program, end ocean dumping of sewage by 1991, and develop other initiatives. A working group should be formed to study further coastal and marine policy initiatives focussing on a broader range of options under development by EPA such as: ecosystem health, conservation of marine and coastal resources, public awareness and education. A working group would also serve as a forum for coordinating coastal and marine policy questions among agencies (EPA, DOD, State, HHS, Interior).

SEAFOOD SAFETY: There is an interest in having a working group look at a mandatory seafood inspection program, similar to the meat and poultry inspection program currently administered by USDA. Several legislative proposals have been introduced in Congress and the Administration has participated in hearings. Interagency meetings were held earlier in the year. At that time there was a consensus that the federal government should proceed with such a program. There was no consensus, however, on the details of the program and which agency should have operational responsibility. EPA, DOC, FDA and USDA have expressed an interest in the issue.

SPC
Bates

CLOSE HOLD

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Border Control
Disabilities
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Family report
Global Change: Working Group/Montreal Protocol/Reforestation
Health care system reform
Immigration
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RECOMMENDED

Civil justice reform
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UPCOMING ECONOMIC ISSUES

International economic

Economic summit
Malta economics
Tied aid credits
AID capital projects
Exon-Florio regulations

Trade

Uruguay Round: general
Uruguay Round: subsidies
Uruguay Round: agriculture
Uruguay Round: textiles
Structural Impediments Initiative
US-Japan trade
EC 1992
EC monetary reform
US-Mexico trade
Super 301 (1990)
Super 301 (1989 cases)
Japan auto VRA
Japan semiconductor
EC soybean

Finance

Savings
Cost of capital study
Tax integration study
Glass-Steagall
Deposit insurance study
Pension (ERISA)
Long-term horizon

Federal credit

Federal credit policy
Government sponsored enterprises study

Antitrust

Joint production ventures
McCarran-Ferguson

Labor

Pension funds
Pension portability
Davis-Bacon

Statistics

Statistical quality

Science and technology

Superconductivity

X-ray lithography

Research and development

Energy

National energy strategy

Strategic Petroleum Reserve

Alternative motor fuels

Transportation

National transportation policy

Airline competition study

Aviation negotiations strategy

CAFE

Railroad labor

Agriculture

1990 Farm Bill

Sugar

Telecommunications

MFJ legislation

MFJ triannual report

Cable regulation

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December

Airline competition study

January

EC soybean
Joint production ventures
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Railroad labor
National transportation policy
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MFJ legislation
Strategic Petroleum Reserve
EC monetary reform

February

Aviation negotiations strategy
Uruguay Round: agriculture
Uruguay Round: subsidies
Uruguay Round: textiles
Sugar
Cost of capital study
Tax integration study
AID capital projects
EC 1992

March

Uruguay Round: agriculture
Uruguay Round: subsidies
Uruguay Round: textiles
McCarran-Ferguson
National Energy Policy (interim)

April

Super 301
EC monetary reform
Tied aid credits

May

Government sponsored enterprises

June

Super 301 cases
Economic summit
Malta economics
US-Mexico trade

July

Uruguay Round

August

Alternative motor fuels

November

Uruguay Round
National Energy Policy (final)

DECEMBER

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middle Immigration: Admin. position/legislative strategy.
middle Math/Science Education: DOE action plan.
middle Volunteer liability: Review options.
middle Medical Liability: Proposal to proceed.

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early OSC Task Force: Review report.
early Anti-poverty agenda: Refined "zone" proposal.
early Drug strategy: Strategy II.
early Literacy: Strategy paper.
early Global Change: IPCC policy positions.
middle Global Change: Agenda for Bromley-Boskin conference.
middle Montreal Protocol: Negotiating position.
middle Disabilities: Review of current agency activities.
middle Basel Convention: Review legislation.
late Border Control: Begin discussion and implementation.

FEBRUARY

early Family Report: Draft completed.
late Hispanic Education: Interim report.

MARCH

middle RCRA Reauthorization: Administration position.
late Anti-poverty: comprehensive strategy.

APRIL

early Health Care System: Status report.

JUNE

middle Border Control: Review policy.

DPC

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Alternative motor fuels

Transportation

National transportation policy
Airline competition study
Aviation negotiations strategy
CAFE -
Railroad labor -
Railroad Pension System

Agriculture

1990 Farm Bill / USDA Task Force
Sugar - GATT PANDOR

Telecommunications

MFJ legislation - o
MFJ triannual report - o Consent Decree
Cable regulation - 1984 Deregulation / Now -

UPCOMING ECONOMIC ISSUES

December

Airline competition study

January

EC soybean
Joint production ventures
Farm Bill
Structural Impediments Initiative
US-Japan trade
Japan auto VRA
Tied aid credits
Railroad labor
National transportation policy
Exon-Florio regulations
MFJ legislation
Strategic Petroleum Reserve
EC monetary reform

February

Aviation negotiations strategy
Uruguay Round: agriculture
Uruguay Round: subsidies
Uruguay Round: textiles
Sugar
Cost of capital study
Tax integration study
AID capital projects
EC 1992

March

Uruguay Round: agriculture
Uruguay Round: subsidies
Uruguay Round: textiles
McCarran-Ferguson
National Energy Policy (interim)

April

Super 301
EC monetary reform
Tied aid credits

May

Government sponsored enterprises

June

Super 301 cases
Economic summit
Malta economics
US-Mexico trade

July

Uruguay Round

August

Alternative motor fuels

November

Uruguay Round
National Energy Policy (final)

Withdrawal/Redaction Sheet

(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
03. Memo	From David Q. Bates to John Sununu Re: "Newsweek" Periscope item on the Intergovernmental Panel on Climate Change (2 pp.)	9/25/89	P-5	

Collection:

Record Group: Bush Presidential Records
Office: Chief of Staff to the President, Office of the
Series: Sununu, John H., Files
Subseries: White House Offices File
WHORM Cat.:
File Location: Cabinet Affairs (1989) [1]

Open on Expiration of PRA
(Document Follows)
By DL (NLGB) on 5/12/2005

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file

THE WHITE HOUSE

WASHINGTON

September 25, 1989

MEMORANDUM FOR GOVERNOR SUNUNU

FROM: DAVID Q. BATES

SUBJECT: Newsweek "Periscope" Item on the
Intergovernmental Panel on Climate Change
(Attached)

THE CHIEF of STAFF
has seen

Issue

This week's Newsweek contains a short item on the Bush Administration's handling of global warming, making an unfavorable comparison to the Reagan Administration's handling of acid rain. The article states that the President "reluctantly agreed to host this fall a workshop on the controversial subject of global warming. Now the workshop has been postponed until February." The item, inaccurate on several points, highlights the need for a decision on the President's International Conference on the Environment.

Background

The White House instructed that the "workshop" be hosted by the Response Strategies Working Group (RSWG), which is chaired by the United States and is a subcommittee of the full Intergovernmental Panel on Climate Change (IPCC). **This workshop is indeed being hosted by the United States on October 2-5 in Geneva, Switzerland.** The meeting was never intended to be a "White House workshop" as stated in the article. The meeting will begin discussions on a framework for a convention on climate change. The White House has approved all four U.S. position papers to be considered for discussion at the meeting.

Moreover, in addition to the RSWG workshop, **the U.S. will host a full plenary session of the IPCC in February in the U.S.** The IPCC plenary, a much larger, more comprehensive meeting, will be held on U.S. soil. The Administration did not "postpone" one for the other; we are hosting two international meetings related to global warming.

The Chairman of the U.S. delegation to IPCC, Assistant Secretary of State Fred Burnthal, is writing an official response to Newsweek to correct the inaccuracies.

As we have discussed internally, we are also considering whether to hold the President's International Conference on the Environment in connection with the IPCC. You indicated you would be calling Secretary Baker soon to discuss the issue.

My staff reminds me that this decision is becoming increasingly time-sensitive since the Senate recently authorized its own International Conference on the Environment to be held in 1990. This is clearly an attempt to upstage the President in his campaign commitment.

cc: Marlin Fitzwater

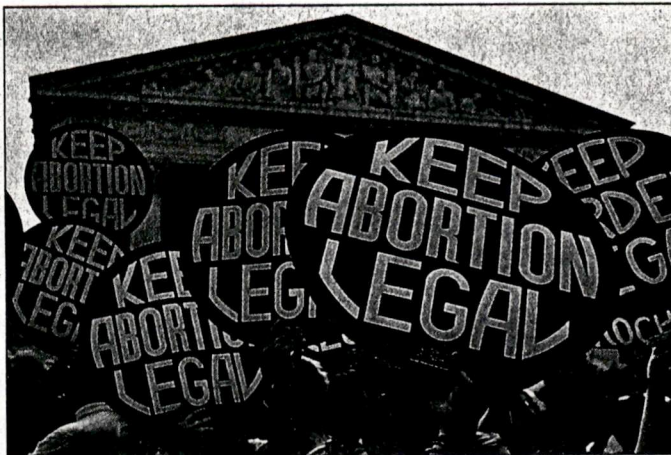
POLITICS

The Rules for Jesse

Fearful that Jesse Jackson might scare off white and Jewish voters, New York City mayoral candidate David Dinkins will invoke an informal blacks-only policy where Jackson's campaigning in the mayor's race is concerned. Jackson has offended New York Jewish voters with, for example, his "Hymietown" quote. Dinkins, who did well among white and Jewish voters in his primary victory over Ed Koch, wants Jackson to campaign where he is most welcome. "It's obvious Jesse is more popular in some quarters than others," says David Fishlow, a Dinkins spokesman. And the campaign plans to insulate Jackson in a broader mix of black campaigners.



Insulating: Dinkins, Jackson



Bush wants to avoid a 'no win' issue: Pro-choice activists in Washington

EXCLUSIVE

Dodging on Abortion

The Bush administration has made a politically calculated decision to, in effect, dodge the "no win" issue of rolling back abortion rights. Senior Bush aides told NewsWEEK that after analyzing poll after poll the White House has concluded that the public does not support dramatic changes in abortion laws and that, therefore, there is no political advantage to the president in getting out front on the issue. "The issue is a loser," said a senior aide. "Anyone who talks about it too much, regardless of their position, loses." Admin-

istration officials are even considering not having the solicitor general argue for a reversal of *Roe v. Wade* when the U.S. Supreme Court hears three new abortion cases this term. In the past, both the Reagan and Bush administrations tried diligently to use such cases to argue for a complete reversal of the landmark *Roe v. Wade* decision, which gave women the legal right to have abortions.

INTRIGUE

Undue Credit?

In 1956 Israel's foreign espionage agency, Mossad, became an overnight power in the intelligence community when it apparently obtained the first copy in the West of Nikita Khrushchev's secret speech denouncing Stalin. But in the new book "The Imperfect Spies," authors Yossi Melman and Dan Raviv say it was actually Israel's less glamorous internal-security agency, Shin Bet, that scored the coup. The book says a Shin Bet agent in the U.S.S.R. was, in fact, responsible. Unsurprisingly, Mossad does not want to give up the credit.



Khrushchev

EDUCATION

Student Repair

They aren't offering to throw in a toaster—yet. But a handful of public school systems are now giving students laminated three-year warranties guaranteeing the community and employers that they can read and have basic math skills; if they can't, the schools promise to "repair" students through remedial instruction. The school district in Wayzata, Minn., has been offering warranties for two years; two Missouri systems and one in Massachusetts have approved warranty plans.



WASHINGTON FAX

Acid Tactics?

Last May, George Bush reluctantly agreed to host this fall a White House workshop on the controversial subject of global warming. Now the workshop has been postponed until next February. Some congressional Democrats compare Bush's handling of the issue to the way Ronald Reagan treated acid rain—study and delay. . . . **Limousine service** is not something federal agency heads are entitled to, but EPA Administrator William Reilly is determined to be an exception. Reilly aides are lobbying intensively for a limo for their boss. "All Mr. Environment cares about is his limousine," says a congressman. An aide says the limo is worth it because Reilly can read briefing papers on the 30-minute ride to work.

CONVENTIONAL WISDOM WATCH

U.S. Foreign Policy Edition

George Bush is holding his own in the CW, but his reactive foreign policy isn't. Arrows designate the CW's view of his policies toward sovereign nations.

HOT SPOTS

Conventional Wisdom

Soviet Union	↓	If Gorbachev fails, we'll bear some blame. "Watch and wait" is too little, too late.
Poland	↓	Policy? What policy? CW haunted by hesitancy at this critical historical juncture.
China	↔	Old CW: Bush response was weak. New CW: Who's Fang Lizhi again?
Ethiopia	↑	Warring parties finally brought together by the president—President Carter.
Cambodia	↓	By failing to broker deal, we help pave way for return of the Khmer Rouge.
James Baker	↓	Running foreign policy on basis of opinion polls. Where's that "vision thing"?

THE WHITE HOUSE
WASHINGTON

Rec'd COS
SEP 19 1989

DATE: 9/18/89

TO: GOVERNOR SUNUNU

FROM: **DAVID Q. BATES**
Assistant to the President
and Secretary to the Cabinet



I am note sure you have seen this. This is the "think piece" Lehmann mentioned at the end of our meeting with you on Friday.

As Dick Darman noted, we are working on all the issues enumerated in the paper. We will leave the packaging of those issues to you. Thanks for giving us the time to bring you up to date on Friday.

cc: Andy Card

Withdrawal/Redaction Sheet

(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
04. List	Economic Policy Council, Current Working Groups [2 copies] (8 pp.)	9/89	P-5	

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ECONOMIC POLICY COUNCIL

CURRENT WORKING GROUPS

Telecommunications

Currently, the AT&T antitrust consent decree imposes restrictions on the business activities of the Regional Bell Operating Companies (RBOCs). Congress is considering legislative proposals that would: (a) shift jurisdiction over these issues from the federal district court to the FCC; and/or (b) permit the RBOCs to provide information services and manufacture telecommunications equipment. In consultation with other EPC members, the Commerce Department has prepared an options paper on this issue. The EPC will probably review this issue in early October.

Tied aid credit policy

Tied aid credits are grants and/or concessional loans that are linked to procurement from the donor country. The Treasury Department chairs an EPC Working Group on Tied Aid Credit Policy. In August, the EPC directed the working group to develop a strategy for OECD negotiations starting in November aimed at achieving more discipline over the use of these credits. The working group should have a strategy ready by mid-October.

Uruguay Round

Through the Trade Policy Review Group process, USTR is preparing draft proposals for each of the 15 negotiating groups of the Uruguay Round. The EPC will need to review our general strategy toward the negotiations and consider the tradeoffs that will inevitably need to be made. Through the TPRG, USTR will prepare a paper for EPC review sometime in November.

Structural Impediments Initiative

The Administration has completed the first round of talks in the Structural Impediments Initiative (SII). The next round of talks is scheduled for November 6-7. The EPC needs to continue discussing the set of outcomes the Administration wants from these talks and how it can maximize its leverage to achieve these goals.

EC 1992

The EC is implementing the creation of a single, integrated market through some 280 directives. USTR chairs the Internal Market Task Force (basically the TPRG), which has been coordinating development and implementation of Administration policy toward EC 1992. Through the Task Force, USTR will prepare for EPC review sometime in October a paper that outlines: (a) those directives that have the greatest potential impact on U.S. economic and trade policy; and (b) a proposed strategy for addressing these priorities.

European monetary reform and financial liberalization

The Treasury Department chairs an EPC Working Group on European Monetary Reform and Financial Liberalization. The working group will: (a) analyze the macroeconomic and financial implications for the U.S. of EC efforts toward economic and monetary union; and (b) develop recommendations for U.S. policy toward EC directives affecting banking, securities, and capital movements.

Sugar

The Agriculture Department chairs an EPC Working Group on Sugar. Because of the recent GATT ruling that the U.S. sugar program is inconsistent with the GATT, the working group is exploring approaches for modifying the sugar program. The working group will have to coordinate any proposal for reforming the sugar program with Administration strategy toward the 1990 Farm Bill and the Uruguay Round.

National energy policy

The Energy Department chairs an EPC Working Group on Energy Policy. The working group will develop a National Energy Strategy that reviews all energy sources: oil, natural gas, coal, nuclear, renewables, conservation, and alternative fuels. The working group will produce for review by the EPC an interim report by April 1, 1990 and a final report by December 31, 1990.

Strategic Petroleum Reserve

The law requires that the Administration submit to the Congress a report on Strategic Petroleum Reserve (SPR) financing. An interim report is due on October 15 and a final report due on February 1. The Energy Department chairs an interagency working group, which is exploring alternative means of financing an increase in SPR from the current target of 750 million barrels to 1 billion barrels (the actual level now is about 570 million barrels).

Alternative fuels

The Treasury Department chairs an EPC Working Group on Alternative Fuels. The working group is analyzing current federal programs encouraging the development of alternative fuels. In the aftermath of the Administration's clean air legislative proposal, it may be useful to incorporate the efforts of this working group into the national energy strategy exercise.

Rural development

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Puerto Rico

Section 936 provides a special tax credit for certain income of qualifying corporations operating in Puerto Rico and possessions of the U.S. other than the Virgin Islands. This issue is highly controversial in Puerto Rico. The Treasury Department will chair an informal working group, which will analyze economic issues affecting Puerto Rico, particularly this issue.

Federal credit policy

OMB chairs an EPC Working Group on Federal Credit Policy. The working group reviews major federal credit policy issues, including: (a) reviewing federal policies affecting secondary markets in federally-assisted credit; and (b) evaluating the Administration's program of loan asset sales.

Economic statistics

CEA chairs an EPC Working Group on Economic Statistical Quality. The working group is developing a report reviewing how the federal government can improve statistical collection in areas such as services, trade, savings, investment, and productivity.

Research and development

The Commerce Department chairs an EPC Working Group on Research, Development, Technology, and Innovation. The working group is exploring how the federal government can encourage greater investment in research and development, particularly applied research.

Savings and cost of capital

The Treasury Department chairs an EPC Working Group on Savings and Cost of Capital. The working group is developing a list of options for increasing U.S. private savings and reducing U.S. cost of capital.

POSSIBLE WORKING GROUPS

Textiles

USTR has been meeting with representatives from the U.S. textile industry to discuss administration of the textile program. Retailers and importers are concerned that the Administration is hearing only one side of the issue and have called for a broader review by the Administration. In addition, given the domestic sensitivity of this issue, it may be useful for the EPC to review our strategy for the textile negotiating group in the Uruguay Round.

Joint production ventures

The Congress is considering several proposals that would change the treatment of joint production ventures under our antitrust laws. In particular, some of these proposals would immunize joint production ventures from antitrust penalties. There has not been an Administration review of whether joint production ventures benefit the U.S. economy, on balance. It may be useful for the EPC to review this issue.

Infrastructure

The Transportation Department is developing a national transportation policy. Given the implications of any strategy for our economic, fiscal, safety, energy, and environmental policies, it may be useful to establish an interagency working group to coordinate this effort.

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The Labor Department is developing a proposal on pension portability. Given the implications of any proposal for retirement income security, savings, labor, and tax policies, it may be useful to establish an interagency working group to coordinate this effort.

monahan

ECONOMIC POLICY COUNCIL

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J. . .

file

THE WHITE HOUSE

WASHINGTON

September 14, 1989

MEMORANDUM FOR GOVERNOR SUNUNU

FROM: DAVID Q. BATES 
SUBJECT: EPC and DPC Agenda

For review at tomorrow's meeting, ^{4:30} I have attached papers separately listing upcoming issues on the EPC and DPC agenda. The papers briefly describe each issue and, where appropriate, provide some indication of when each council will review the issue. The papers not only list the current working groups under each council, they also present issues that are coming up that may warrant establishing additional working groups.

I have also attached a paper that is more of a think piece. There has been a great deal of discussion of issues that need to be addressed to improve our long-term economic growth. The attached paper outlines a possible comprehensive strategy and a package for presenting these issues.

Withdrawal/Redaction Sheet

(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
05. Paper	Long-term Economic Growth (3 pp.)	9/89	P-5	

Collection:

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LONG-TERM ECONOMIC GROWTH

Challenges

The Administration's economic policy has heretofore focused on issues like the budget, inflation, trade, and thrifts. However, even if the Administration succeeds in meeting these economic challenges, it would still face some longer-term problems that afflict the U.S. economy.

Moreover, even if the budget were balanced and inflation and interest rates kept low, there could still be the **perception** among the American public that the U.S. is somehow declining. Some polls already show that when asked which country has a stronger economy, most Americans believe that Japan is stronger than the U.S. (54%-29% Washington Post, 58%-29% Gallup).

Approach

While the U.S. has narrowed the difference between our productivity growth and that of some of our major competitors like Japan, there remains a significant difference:

Percent change in output per hour in manufacturing

	<u>U.S.</u>	<u>Japan</u>
1960-1973	3.2	10.3
1973-1979	1.4	5.5
1979-1988	3.3	5.8

Although the U.S. still has a higher **level** of productivity and Japan experienced high growth rates partly because it started from a lower base, the consistently higher Japanese growth rates in the 1980s still provide reason for concern.

There are undoubtedly a host of causes for our relatively lower productivity growth. However, as with all problems, some causes are more important than others. The Administration should concentrate its limited resources of time, energy, and political capital on the most important causes.

Moreover, from a communications perspective, the Administration should focus its efforts on a handful of challenges, rather than dilute public attention on a long litany of policy proposals.

In addition, the Administration should not limit its efforts to developing or eliminating government programs; the bully pulpit can serve as an effective means to influence public behavior.

Finally, the Administration should focus not only on what our country should **do**, but also on what our country should **not do**. Examples include **opposing** protectionism or **opposing** the government picking industry winners and losers.

Everyone has his or her own list of the five (admittedly an arbitrary number) most important long-term economic problems. One possible approach based on the product cycle starts with developing a product idea to manufacturing and marketing the product. This approach could include these five elements.

1. Invest in research and development. Most observers agree that U.S. basic research is in good shape. Less certain are our efforts in **applied** R&D. U.S. corporate R&D real spending growth has fallen to low levels, from about 12 percent in 1984 to only 1 percent in 1988, according to the NSF. Moreover, many observers cite anecdotal evidence of U.S. businesses consistently allowing firms in other countries to commercialize technologies developed here.

One should explore developing specific proposals for encouraging more U.S. corporate investment in research and development (e.g., by expanding the R&D tax credit) and, if appropriate, specific proposals for encouraging more commercialization by U.S. businesses (e.g., by enhancing linkages between university and government labs and business).

2. Lengthen horizons for investment. Many observers have commented on the short-term focus of corporate management in the U.S. Reducing real interest rates through fiscal policy should help lengthen horizons. However, one should consider actions above and beyond reducing the budget deficit.

One should explore developing specific proposals for encouraging both individuals and institutions to focus on and invest in the long-term.

3. Invest in new physical capital. The ability of U.S. businesses to invest in new physical capital has been hurt by the low U.S. savings rate, and thus, high U.S. cost of capital relative to that of our major competitors.

While continuing efforts to reduce the budget deficit, one should also explore developing specific proposals for encouraging greater U.S. **private** saving, which has fallen from 18 percent of GNP in 1981 to 15 percent in 1988.

4. Invest in human capital. Not only must U.S. businesses have new and productive physical capital, they must have access to a work force of the highest quality. Many observers comment on the need to improve both education and training. However, it is clear that unless workers have basic skills that should be acquired in our schools, employer training will be of little help. Hence, our resources (not necessarily financial) should be devoted at the margin to improving education; and within education, more effort towards K-12 than higher education.

One should explore developing specific proposals for improving elementary and secondary education in the areas of higher standards, greater accountability, more parental choice, better science and math education, etc.

5. Enhance competition in U.S. market. Maintaining strong competition in the U.S. market will help drive down costs of production and encourage improvements in quality. Opposing protectionism will help preserve competition **between** U.S. producers and foreign producers in the U.S. market.

Regarding the issue of competition **among** U.S. producers, some observers argue that the federal government should relax U.S. antitrust laws to permit more mergers and more joint production ventures (e.g., U.S. Memories) to enable U.S. firms to compete in a global marketplace.

Another school of thought argues that U.S. antitrust laws should maintain strong competition among U.S. producers. This school notes that while there may be cooperation among Japanese firms in the **research** stage, there is actually very strong competition among Japanese firms in the **production** stage, which helps keep their costs low and quality high.

One should explore appropriate antitrust policy and develop specific proposals for reform, if appropriate.

There are, of course, a plethora of other factors that others would argue should be part of any list of the most important economic challenges (apart from fiscal and monetary policy, as noted above). These factors include, inter alia, trade, export financing, deregulation, tort reform, training, infrastructure, energy security, and labor-management cooperation.

Potential package

Ultimately, there should be one package assembled that outlines a strategy for addressing these long-term economic challenges. This package could potentially include the following elements:

- | | |
|---------------------|--|
| Primary goal: | To keep America number one |
| Overall theme: | The American Solution (as proposed by others) |
| Guiding principles: | (Examples) Investment, creativity, competition |
| Specific policies: | Invest in research and development
Lengthen horizons for investment
Invest in new physical capital
Invest in human capital
Enhance competition |

Withdrawal/Redaction Sheet

(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
06. Paper	Domestic Policy Council Current Issues (6 pp.)	9/89	P-5	

Collection:

Record Group: Bush Presidential Records
Office: Chief of Staff to the President, Office of the
Series: Sununu, John H., Files
Subseries: White House Offices File
WHORM Cat.:
File Location: Cabinet Affairs (1989) [1]

**Open on Expiration of PRA
(Document Follows)**

By DL (NLGB) on 5/12/2005

Date Closed:	11/29/2004	OA/ID Number:	29175-009
FOIA/SYS Case #:	1998-0004-F	Appeal Case #:	
Re-review Case #:	2005-0426-S	Appeal Disposition:	
P-2/P-5 Review Case #:		Disposition Date:	
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RESTRICTION CODES

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

PRM. Removed as a personal record misfile.

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DOMESTIC POLICY COUNCIL

CURRENT ISSUES

AIDS TREATMENT AND FINANCING: Financing of medical and social services required by persons with AIDS or HIV infection is expensive and likely to increase as more effective therapies are discovered and the lifespan of AIDS patients lengthens. Currently, an estimated 40 percent of AIDS patients are Medicaid eligible, but services covered vary greatly from State to State. Coverage through private insurance is also variable, and persons with AIDS or HIV infection are likely to lose their coverage through their employer if they are not able to continue to work. The announcement that the number of reported AIDS cases has now passed 100,000 and the recent finding that AZT can slow the onset of active AIDS have drawn new attention to issues associated with the financing of AIDS treatment.

Future events are likely to draw additional attention to the issue. The National AIDS Commission will hold its first meeting on Monday and Tuesday, September 18 and 19. FDA is expected in the next few days to approve a request by Bristol-Meyers to allow DDI (an experimental alternative to AZT) to be distributed under certain conditions to AIDS patients not enrolled in clinically controlled trials. And, the 1990 International AIDS Conference will be hosted in San Francisco.

The Health Policy Working Group has tasked HHS to report on the current status of AIDS financing and to outline possible areas needing policy resolution.

ANTI-POVERTY AGENDA: During DPC consideration of welfare reform in July, the Low Income Opportunity Board was charged with developing, within 90 days, the principles of a conservative anti-poverty agenda, and documenting the Administration's efforts to date.

In November, the DPC could consider the anti-poverty agenda developed by the Board, as well as legislative proposals to further expand waiver and demonstration authority on a directed basis.

Congress will likely have little interest in enacting further expansions of waiver authority so soon after last year's passage of major welfare reform. This Fall marks the 25th anniversary of the War on Poverty. There will certainly be public and media interest in poverty issues. It could be important to begin work towards a pro-active conservative anti-poverty agenda.

EDUCATION REFORM: A DPC Working Group on Education Policy has been formed to emphasize the importance of education in this Administration, to provide a vehicle for bringing agencies together to address cross-cutting education issues, and to coordinate education programs within different departments. The Working Group has attracted strong Cabinet interest and is currently discussing the literacy issue. It will soon take up the issues of accountability and choice. Where appropriate, the Working Group would be ready to consider issues arising from the President's Education Summit with the Governors.

In addition to the President's proposed education bill, other education legislation has been introduced in the 101st Congress. The Administration will need to be prepared to address some of these legislative proposals. The Working Group plans to take up the issues of literacy, accountability and choice in September and October, 1989.

EXECUTIVE AUTHORITY: An Administration budget reform package has already been prepared to: 1) endorse Senator Thurmond's balanced budget amendment proposal; 2) propose a line-item veto constitutional amendment; and 3) support enhanced rescission legislation.

One aspect of this has already been accomplished with the President's support on August 4 of S. 1553 providing enhanced rescission authority. The remaining two elements of the package still need to be announced. Extension of the debt ceiling by the end of October may provide the appropriate timing for an announcement.

Further executive authority issues may include entitlement reform. Other issues of congressional encroachments on executive authority could be considered.

FOOD SAFETY: The recent controversy concerning Alar in apples served to heighten public attention on food safety issues and also raised questions about EPA's ability to deal promptly with the continuing use of a cancer causing pesticide on food utilizing existing suspension and cancellation procedures. Critics have charged that existing procedures are too lengthy to deal effectively with pesticides that raise safety concerns.

The DPC Health Policy Working Group has just completed its formulation of a draft DPC paper on a series of proposals worked out by agreement between the three key agencies involved: EPA, USDA and FDA. The DPC will meet to discuss these proposals on Thursday, September 14, 1989.

INFANT MORTALITY: Infant mortality is a serious and growing problem in the United States. The current rate of mortality among U.S. infants is one of the worst of all industrial nations,

and is on a par with third world nations. The infant mortality rate among blacks in the U.S. is significantly higher than among whites, but there is no biological or congenital reason for this variance. The causes are all social and behavioral. Since the causes are known, it may be possible to make improvements. For example, Japan has gone from 28th (in 1960) to 3rd (in 1987).

On June 15, 1989, the DPC established a Task Force on Infant Mortality to assess the problem and formulate a set of recommendations for action. The task force is scheduled to complete its report to the Health Policy Working Group on October 2, 1989.

LIABILITY IN VOLUNTEERISM AND COMMUNITY SERVICES: Volunteerism, one of the pillars of our social health and a strong theme during the President's campaign, is suffering from the threat of lawsuits. Volunteer efforts from the Boy Scouts to senior citizen programs report dramatic cost increases caused by tort laws with their unlimited potential liability. The nation's schools, which have traditionally relied on volunteer help, are suffering as well. According to surveys by the American Tort Reform Association, nearly 60 percent of school principals say they have dropped or cut back on school-related programs because of the threat of lawsuits and high insurance premiums. School lawyers say the hardest hit segment of school-related activity is volunteerism.

The DPC Tort Reform Working Group is working on this issue and will report on options suitable for possible federal action. Their activities are being coordinated with the work on product liability currently under way in the Competitiveness Council. A work plan will be completed on September 13, 1989.

NATIONAL DRUG CONTROL POLICY: In addition to the National Drug Control Strategy transmitted to Congress on September 5, 1989, the law requires the President to transmit a Strategy each year on February 1.

The DPC Working Group on Anti-Drug Policy will reconvene in order to ensure interagency review of the February Strategy. DPC consideration of the Strategy should begin in December. In addition, the two Supply and Demand Coordinating Committees established under the September 5 Strategy will elevate policy issues for consideration by the DPC and NSC as necessary.

OFFSHORE OIL LEASING: In the book, Building A Better America, the President urged environmentally sound OCS leasing and development. To further that objective, he established a task force to study environmental concerns about leases in environmentally sensitive areas. The task force consists of sub-Cabinet representatives from Energy, EPA, Interior, the National Academy of Sciences, and OMB. The task force is scheduled to

present its report to the President by January 1, 1990. Final Cabinet-level review may occur in the first weeks of December.

WASTE EXPORT: The Administration must decide whether the U.S. should sign the Basel Convention on the Transboundary Movement on Hazardous Wastes. The President approved a policy in March to prohibit export of hazardous waste, except where an agreement exists between the U.S. and the receiving country for the terms of disposal. The Convention contains a similar prohibition, but goes beyond our current policy by including a ban on exports of solid wastes not considered hazardous under U.S. law. It would ban: household waste, municipal incinerator ash, and imports from non-parties to the Convention; and it would place liability on countries in cases of illegal shipments. Due to the significance of the change, the Administration should consider whether or not it should change U.S. policy and sign the Convention. A draft circular 175, requesting authority to sign, has been circulated to the agencies. Consensus on signing could be reached by mid-September 1989. The next step would be to create legislation implementing policy changes.

WETLANDS: Wetlands are a vital environmental and recreational resource. They provide habitat for many species of fish and wildlife, help to reduce flooding, "recycle" water by filtering out wastes, control erosion, and are sources of recreation, timber and other natural products for commercial use. The United States has lost over half of its wetlands acreage since the Nation's settlement. Annual wetlands losses average almost a half-million acres per year.

The Federal government is committed to protect, maintain and restore this important resource. The President called for a "no net loss" of wetlands as a national goal. In his February 9th Budget Address to Congress, the President called for the establishment of a wetlands inter-agency task force under the Domestic Policy Council to revise and strengthen the current Presidential executive order on wetlands protection. The task force has met twice and will coordinate and assess implementation of the no-net-loss goal by Federal, State, and local governments and the private sector, as well as foster public understanding of the value of wetlands.

POSSIBLE ISSUES

CHILD CARE LIABILITY: The Senate has already passed its version of a child care bill, and the House is expected to pass a child care bill in the near future. The passage of a national law promoting child care throughout American society is sure to exacerbate an already growing crisis already faced by child care providers who are finding it difficult to find affordable insurance protection against frivolous lawsuits and unlimited liability. The Woman's Bureau at the Department of Labor has concerns in this area and has begun looking into the matter. On another front, the Department of Defense has informed the DPC that, while the military community has recently experienced a dramatic increase in the demand for child care services, some military spouses who would provide excellent child care services in their homes are being deterred because of their unwillingness to risk financial ruin from personal liability.

CHILDREN AND FAMILY POLICY: The DPC Children and Family Policy Working Group has already produced several Administration adoption initiatives. The President sent a memorandum to Federal agencies on July 24 directing them to develop plans for supporting and promoting adoption. On September 13, the President transmitted to Congress his two adoption legislative proposals. Work on adoption will continue.

Secretary Sullivan may soon propose a White House Conference on Children and youth to be held in 1990. Similar White House conferences have been held every ten years throughout most of this century.

Executive Order 12606 on the Family requires that each year the DPC will submit to the President a report on family policy, summarizing the impact of Federal programs and regulations on the family.

GLOBAL CLIMATE CHANGE: Due to the enormous potential consequences of any action involving global climate change, it is important to craft a comprehensive Administration policy in this area. There is considerable diversity of opinion among the Federal agencies over the proper approach to global climate issues. Some believe it is important to take action quickly to reduce greenhouse gasses and other substances that may cause global warming, before its too late. However, the present understanding of complex Earth climate processes is rudimentary and substantial research will be necessary before we can begin to make reliable predictions of global climate change. The U.S. participates in the United Nations Intergovernmental Panel on Climate Change (IPCC), which is considering global climate issues and the possibility of an international convention. Several countries have expressed an interest in proceeding at a more

rapid pace towards an international treaty on climate change -- a comprehensive "law" of the atmosphere. Options for a climate change convention or a law of the atmosphere must not only consider the diverse needs and agendas of the international community, but also the large potential domestic impact.

At the request of the White House, and as a result of deliberations on the President's International Conference on the Environment, IPCC will have a plenary session in the U.S. in February, 1990. There should be a process to develop U.S. policy positions for that meeting.

THE MONTREAL PROTOCOL: The U.S. is a party to the Montreal Protocol. The Administration must decide whether to support an expansion of the Montreal Protocol to cover the phaseout of ozone-depleting chemicals in addition to chlorofluorocarbons (CFCs). The Protocol mandates the phaseout of CFCs by a set timetable. Parties to the Protocol recently proposed an amendment to phaseout two other ozone-depleting chemicals: methyl chloroform and carbon tetrachloride. Phaseout of methyl chloroform, a solvent used as a substitute for CFCs, is controversial. Amendments to the Protocol should be finalized in December, 1989 for consideration in June, 1990. The Protocol process will force the issue of a U.S. position on expansion of the Protocol.

REFORESTATION/TREE INITIATIVE: Several Presidential reforestation/tree initiative proposals have been proposed: one by Jim Pinkerton as a volunteer mass movement, one by Administrator Reilly as a domestic federal program on which to base an international program, and one as an option for the President's International Conference on the Environment. A tree planting/reforestation initiative poses domestic and international environmental advantages, yet is not without risks. None of the proposed initiatives has benefitted from a working level review of White House or interagency staff. It would be appropriate for a working group to review the initiatives and a full DPC review before options are presented to the President. Possible DPC consideration: October/November.

REORGANIZATION OF THE HEALTH CARE SYSTEM: There is pressure on several fronts to reform the health care system. Financing and access are major issues. Due to considerable pressure from senior citizen groups, legislation in Congress is advancing to modify or delay the catastrophic health care program. Several Republicans in Congress are circulating a letter they will send to the President in a few weeks citing the controversy over catastrophic care and asking the President to take the lead in developing an overall approach for "systemic reform" of the health care system. The Social Security Advisory Council has begun hearings on overall reform of the health care system and is expected to make recommendations by July 1990.

Withdrawal/Redaction Sheet

(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
07. Memo	From David Q. Bates to Governor Sununu Re: Oil Spill in Prudhoe Bay, Alaska (1 pp.)	9/11/89	P-5	

Collection:

Record Group: Bush Presidential Records
Office: Chief of Staff to the President, Office of the
Series: Sununu, John H., Files
Subseries: White House Offices File
WHORM Cat.:
File Location: Cabinet Affairs (1989) [1]

Open on Expiration of PRA
 (Document Follows)
 By DJL (NLGB) on 5/12/2005

Date Closed:	11/29/2004	OA/ID Number:	29175-009
FOIA/SYS Case #:	1998-0004-F	Appeal Case #:	
Re-review Case #:	2005-0426-S	Appeal Disposition:	
P-2/P-5 Review Case #:		Disposition Date:	
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AR Disposition:		MR Disposition:	
AR Disposition Date:		MR Disposition Date:	

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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)]

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file

THE WHITE HOUSE
WASHINGTON

September 11, 1989

MEMORANDUM FOR GOVERNOR SUNUNU

FROM: DAVID Q. BATES 
SUBJECT: Oil Spill in Prudhoe Bay, Alaska

EPA has reported that an oil spill occurred in ARCO's Kuparak Oil Field at Prudhoe Bay, Alaska -- the northern coast of Alaska next to the Arctic National Wildlife Refuge (ANWR). The spill was caused by slow-leaking valve next to a drill site. ARCO reported the spill to the Alaska Department of Environmental Conservation on August 25. EPA was notified on September 9 of a 40-150 gallon spill of crude; EPA discovered today that the spill is in fact 25,000 gallons of crude covering 1.68 acres of tundra.

EPA is investigating the circumstances of the alleged under-reporting. The Wilderness Society has alerted the news media. NBC's "Today Show" is actively investigating and has filmed footage of the spill site.

Clean-up operations are being conducted by ARCO and 11,000 gallons have been recovered to date. The oil is no longer spreading but has absorbed into the tundra 8-12 inches. EPA has the lead responsibility for discharges of oil on land under statute and the National Contingency Plan.

The spill will feed into the media attention already being given to Alaska as Exxon converts to winter operations tomorrow, September 15 and as the Administration attempts to safeguard future development of the ANWR and other parts of Alaska.

cc: Dick Darman
Richard Breeden
Marlin Fitzwater
Fred McClure
Roger Porter

8

THE WHITE HOUSE
WASHINGTON

September 26, 1989

THE CHIEF of STAFF
has seen

MEMORANDUM FOR GOVERNOR SUNUNU

FROM: DAVID Q. BATES 
SUBJECT: South Carolina Relief Efforts

Senator Hollings had contacted you and other members of the President's staff with a request for generators for the City of Charleston, South Carolina. Although there was apparently confusion at first as to whether the Federal Emergency Management Agency felt the generators were needed and the terms under which they could be made available, this situation was resolved yesterday afternoon. The generators were sent to Charleston and all should have arrived by midnight last night. At Senator Hollings' request, we contacted the mayor's office in Charleston last night at 7:45 to advise of the resolution of this matter.

cc: Andy Card
Fred McClure

THE WHITE HOUSE
WASHINGTON



September 25, 1989 -- 12:15pm

PHONE CALL FOR DAVID BATES

Senator Hollings called for Governor Sununu.

He spoke with Governor Sununu last night but I am uncertain as to the nature or content of the call.

Senator Hollings is requesting White House assistance in transporting generators to the Charleston area to aid in disaster relief. Apparently Major General J.D. Smith, Office of Military Supply in Army Operations, has generators to send to Charleston but FEMA has indicated they do not need or want them.

Major General Smith cannot release the generators without FEMA's approval.

Senator Hollings was calling from Charleston Mayor Riley's office. He will be traveling around the state and has requested that we call Mayor Riley with an update.

(803) 577-6970.

Katie Winkelman

Withdrawal/Redaction Sheet

(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
08. Memo	From David Q. Bates to Governor Sununu Re: Update on Susan Engeleiter Meeting (1 pp.)	8/15/89	P-2, P-5	

Collection:

Record Group: Bush Presidential Records
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Series: Sununu, John H., Files
Subseries: White House Offices File
WHORM Cat.:
File Location: Cabinet Affairs (1989) [1]

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(Document Follows)
 By DDL (NLGB) on 12/12/2007

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FOIA/SYS Case #:	1998-0004-F	Appeal Case #:	
Re-review Case #:	2005-0426-S	Appeal Disposition:	
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8/15

THE WHITE HOUSE
WASHINGTON
August 15, 1989

THE CHIEF OF STAFF
has seen

MEMORANDUM FOR GOVERNOR SUNUNU

FROM: DAVID Q. BATES

SUBJECT: Update on Susan Engeleiter Meeting

This memo supplies an update on several of the issues discussed by SBA Administrator Susan Engeleiter at her meeting with us on August 2, 1989.

1. Engeleiter asked to be made chairman of the National Woman's Business Council. You concurred, and I passed this request to Jan Naylor in Presidential Personnel. Jan is processing paperwork for the appointment.
2. Engeleiter encouraged us to move quickly to make the remaining appointments for the Commission on Minority Business, chaired by Joshua Smith. I told Presidential Personnel that Engeleiter thought it important to make these appointments. Presidential Personnel staff are working with Smith to do so.
3. At Secretary Mosbacher's request, this week the President appointed Engeleiter to the Interagency Trade Advisory Committee. Secretary Mosbacher chairs the committee.
4. Engeleiter put in a plug that the President attend or tape a greeting for an early October conference for SBA's Service Corps of Retired Executives. She has promised further details and a written invitation, which I expect to receive tomorrow. I will submit an appropriate schedule request.
5. Today SBA will issue a press release announcing publication of final regulations modifying the Minority Small Business Development Program, the so-called 8(a) Program. A draft press release and fact sheet are attached. I've promised Engeleiter that I would circulate a copy of the final fact sheet to the Cabinet.
6. Engeleiter asked Andy Card to recommend an appropriate SBA regional official for the New England region. Ron Kaufman is reviewing possible recommendations.

Attachments

cc Andy Card

THE WHITE HOUSE

WASHINGTON

April 28, 1989

MEMORANDUM FOR GOVERNOR SUNUNU

THROUGH DAVID BATES
FROM COOPER EVANS
SUBJECT EEP

THE CHIEF of STAFF
has seen

The question of granting EEP to the USSR on 1.5 MMT of wheat has escalated into a political problem. Domestically, the situation threatens major damage to the credibility in rural America not only of Secretary Yeutter but of the President as well. Substantial damage has also been done to our trading relationship with the Soviets. More important, I believe we are causing a serious internal problem for them at a most inappropriate time. This will be long remembered.

The Administration has lost control on this issue. In my judgment, only a strong Presidential response can now regain the initiative and contain the damage.

Following is a listing of statements, perceptions, etc. circulating in Congress, trade circles, and the press that provide some insight into the seriousness of the situation.

- * Yesterday's hearing on EEP by Rep. Glickman's agriculture subcommittee in the House was severely critical of the Administration's handling of the Soviet request. Republicans took the lead in being critical. There was absolutely no support for the Administration.
- * Senator Dole yesterday wrote the President urging quick approval of an EEP for the Soviets.
- * Should relations with Congress on this subject continue to deteriorate, the results are totally predictable. They will pass legislation to either:
 - Place EEP decisions exclusively in the hands of the Secretary of Agriculture, or
 - Place export subsidy decisions totally with the private sector through marketing loan provisions for all program crops.

- * Press reports are using terms like "the Bush Administration embargo" or "de facto grain embargo". Such phrases are in sharp contrast to statements by the President during the campaign. (See attached extracts of statements by the President on the need to be "a reliable supplier" and to "not use food as a tool of foreign policy".)
- * In rural areas a grain embargo is an issue equivalent to the President's pledge not to raise taxes. To the extent that the lack of new EEP initiatives are perceived as an embargo there will be long-lasting domestic political difficulty. The 1980 Carter grain embargo is still viewed as a part of the reason we've lost the export markets of the 1970s.
- * The Soviets have broken off the LTA talks and gone home in a huff.
- * Private-sector intelligence sources say the Soviet domestic food problems are politically very serious:
 - There is less food on the shelves than at any time since Gorbachev came to power.
 - Part of the problem lies in the Soviet decision to decentralize control of their railroad system to individual Republics. The predictable result is that rail cars never return to the point of origin, and stocks pile up at ports.
 - The most serious problem is their failure to foresee all of the results of allowing farmers to control a small share (10% ?) of their wheat in private-sector channels. The assumption was that this grain would eventually flow to flour milling. Late in the crop year they discovered to their dismay that 4 MMT has disappeared -- it was fed to livestock.
 - There have been personal appeals to the U.S. by individual Soviets deemed to have the most influence here, and these have been rebuffed.
 - Failure to respond to these needs will once again be interpreted as evidence that the U.S. is not a reliable supplier, and basically an enemy not a friend. Other customers will also conclude that the U.S. cannot be counted on as a reliable source of food.

- Worldwide wheat production is expected to increase this year. This gives the U.S. a very brief period of time to be in the sole position of responding to the special needs.

The public awareness of today's "planned" EPC meeting with the President to discuss this issue is leading to rising expectations -- just as occurred on Wednesday.

- * At least one commodity news service has said there will be an announcement of a EEP for the Soviets today, in a joint press conference with the President and Secretary Yeutter.
- * The absence of an announcement of an EEP for the Soviets or a definitive statement from the President on Administration policy serves to confirm the perception of a halt in the EEP program.
- * Political considerations override the merits of a more deliberative policy review process.
- * Speculation on reasons for the "suspension" of the EEP program include:
 - OMB halted the program due to budgetary concerns.
 - The program has been ended due to concern about inflation and the effect on domestic prices.
 - Aggressive use of the EEP might derail our efforts in the GATT talks.
- --* The British Minister of Agriculture was correct when he stated that the U.S. will not use EEP as leverage in the GATT talks.
- --* Vice President Quayle's statement in Australia of no new EEP initiatives for wheat is accurate.

Recommended action:

- * Quickly agree to a new EEP initiative that can be announced for the Soviet Union. The amount could be as low as 500,000 MMT and the bonus could be only a few dollars a ton.
- * The President should publicly express anger with the irresponsible misrepresentation of his position on this issue. He should repeat the pledges he made during the campaign.

BUSH STATEMENTS RELEVANT TO THE EEP

EEP

"And I'm proud that our export enhancement program has led to a dramatic rise in export sales of agricultural commodities. In the years ahead, I don't want to see our farmers lose market share that they worked so hard to win. The Bush Administration will help farmers export more crops, ... the top agricultural priority of my Administration will be to expand our farm markets, both domestic and foreign. And we need to regain markets that were lost because of the Carter grain embargo, and we need to take back markets that have been lost through unfair competition."

7/11/88 SPEECH

EMBARGO/SOVIETS

"... never go back to that Democratic grain embargo that knocked the markets right out from under us and made Mr. Gorbachev say to me, when he was here, 'How do I know you're reliable suppliers?' We should never go back to that. And we ought to expand markets abroad."

10/13/88 DEBATE

During his speech to the crowd, he vowed, "There will be no more grain embargoes against the Soviets or anyone else."

5/7/88 BILLINGS GAZETTE

"I would also guarantee to our allies and other overseas customers that the United States will remain a reliable supplier. I am categorically opposed to grain embargoes."

7/11/88 SPEECH

... "there is enormous opportunity for trade" with Eastern bloc nations and promised "not to use food as a political tool" ...

9/26/88 UPI

Bush referred to Carter's 1980 embargo against selling subsidized wheat to the Soviets to protest the invasion of Afghanistan. "The embargo was unpopular with farmers, hurt more than the Soviets, who simply bought their grain elsewhere."

9/29/88 UPI

"... And Gorbachev, turned to me and said, 'How do I know you're reliable supplier?' Well, you know what he was talking about ... obviously referring back to the grain embargo. It made a lasting impression on me, that one little exchange..."

7/11/88 SPEECH

Raising the specter of another grain embargo, George Bush declares yesterday that Michael Dukakis could reconsider selling subsidized grain to the Soviets and pledged: "I will not use food as a foreign policy weapon."

9/14/88 NEW YORK DAILY NEWS

" ... present to Mr. Gorbachev the views of American agriculture, and giving me an opportunity to weigh in and say we are a reliable source, ... that's important for the Soviets to hear."

12/12/87 AP

" ... We will not use food as a diplomatic tool. We are rebuilding confidence in American agriculture in terms of reliability in foreign markets and we're going to continue to do that ... "

4/18/89 AG RADIO ADDRESS

89-

August 15, 1989

Juanita Weaver
202-653-6822

Erline Patrick
202-653-6407

**SMALL BUSINESS ADMINISTRATION PUBLISHES FINAL RULES FOR
MINORITY BUSINESS DEVELOPMENT PROGRAM**

WASHINGTON, D.C., August 15 -- The U.S. Small Business Administration (SBA), in compliance with the Business Opportunity Reform Act of 1988, today issued final regulations for its Minority Small Business and Capital Ownership Development Program (MSB/COD), commonly called the 8(a) Program.

Susan Engeleiter, the SBA administrator, said, "I am pleased with the work SBA has done on the regulatory package we're presenting today for the implementation of the new law. These final regulations represent months of hard work and a conscientious effort to be responsive to the law and more than 300 letters we received during the comment period."

The Business Opportunity Reform Act of 1988 (P.L. 100-656) was signed into law on November 15, 1988. The law and its subsequent Technical Corrections Act (P.L. 101-37) mandate critical changes to the 8(a) program which now spans more than two decades.

-more-

The purpose of the 8(a) program is to help develop promising firms owned by economically and socially disadvantaged people. The program gives these firms certain preferences, for a limited period of time, in obtaining Federal contracts.

SBA officials said the new laws and resulting regulations have three primary goals: 1) To emphasize business development for socially and economically disadvantaged companies; 2) Increase the number and diversity of firms owned and controlled by socially and economically disadvantaged individuals throughout the nation; and, 3) Ensure that program benefits accrue only to eligible individuals and businesses.

Under the law and the implementing regulations:

- o Program participation is increased from seven to nine years and divided into two stages: a four-year developmental stage, and a five-year transitional stage.
- o The SBA must process all properly completed 8(a) applications within 90 days.
- o Potential 8(a) firms are required to complete a detailed application and to have either management or technical experience.
- o 8(a) firms must be at least 51% unconditionally owned, controlled and managed by socially and economically disadvantaged individuals, tribes or organizations.

-more-

- o Stiffer penalties are imposed for firms that misrepresent their status to qualify for 8(a) program participation.
- o To improve their ability to survive after "Graduation" from the program, participants must obtain specific percentages of their business outside the 8(a) program.
- o Competition among 8(a) firms is required for manufacturing contracts over \$5 million and for all other product and service contracts over \$3 million.
- o Graduated thresholds for personal net worth are established to help determine economic disadvantage.

In addition, the law provides \$10 million for new direct and guarantee loan programs administered by SBA for 8(a) firms; improves government-wide support for the program; and establishes a Commission on Minority Business Development to review and assess all federal programs intended to promote the development of minority-owned business.

Regulations covering these additional requirements of the law will be published separately in the Federal Register.



U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, D.C. 20416



FACT SHEET

Business Opportunity Development Reform Act of 1988
(PL 100-656)

The Business Opportunity Development Reform Act of 1988 was enacted on November 15, 1988. This law changed in some critical respects the U.S. Small Business Administration (SBA) operation of the 8(a) program. The 8(a) program, named after a section of the Small Business Act, is designed to improve opportunities for small businesses owned and controlled by socially and economically disadvantaged individuals and to bring these businesses into the nation's economic mainstream by giving them temporary, preferential treatment in the federal procurement process.

The law and its subsequent Technical Corrections Act (PL 101-37), coupled with the final regulations, have three primary purposes:

1. EMPHASIZE THE BUSINESS DEVELOPMENT ASPECTS OF SBA'S MINORITY SMALL BUSINESS AND CAPITAL OWNERSHIP DEVELOPMENT PROGRAM

- A. Maximum period of program participation increased from seven to nine years divided into two stages: a four-year developmental stage, and a five-year transitional stage. Each stage has different benefits and responsibilities.
- B. 8(a) firms are required to compete under special competition criteria (effective October 1, 1989) for manufacturing awards of more than \$5 million and for all other products and services over \$3 million.
- C. 8(a) concerns are required to meet "competitive mix" levels to improve their ability to survive after graduation from the program. In other words, participating firms will be required to attain certain levels of non-8(a) contract revenues based on the number of years remaining in the program.
- D. 8(a) firms will be eligible for both direct and SBA-guaranteed loans. Proposed regulations to establish this new loan program have been published for public comment.

2. INCREASE THE NUMBER AND DIVERSITY OF FIRMS THAT PARTICIPATE IN THE 8 (a) PROGRAM

- A. The 8(a) application process is streamlined. Applications will now be processed within ninety days of receipt of properly completed application materials.
- B. Applicants will not be required to complete a detailed business plan until after approval for 8(a) program participation. SBA will provide assistance in preparing a comprehensive plan.
- C. Owners of 8(a) concerns may have either managerial OR technical experience and competency directly related to the industry in which the firm is seeking program certification. Previously, the owners had to have both managerial and technical competency.
- D. SBA will make a sustained and substantial effort to solicit applications for program certification from small business concerns located in high unemployment areas or in areas underrepresented in the 8(a) program, and from firms engaged in industries which are underrepresented in the program.

3. ENSURE PROGRAM BENEFITS ACCRUE ONLY TO ELIGIBLE INDIVIDUALS AND BUSINESSES

- A. An 8(a) concern must be at least 51% unconditionally owned, controlled and managed on a daily basis by socially and economically disadvantaged individuals, or an Indian tribe, Alaska Native Corporation or Native Hawaiian Organization.
- B. Graduated thresholds for personal net worth are established to assist in the determination of economic disadvantage.
- C. Regulations allow greater equity participation by Small Business Investment Companies, including Minority Small Business Investment Companies and other financial institutions that are licensed or chartered by Federal, state or local governments.
- D. New penalties will be imposed on firms and individuals who intentionally misrepresent their status in order to qualify for the 8(a) program and other programs for disadvantaged concerns. Misrepresentation could subject an individual or business to a fine of not more than \$500,000 or imprisonment of not more than 10 years or both, as well as various administrative remedies.

Withdrawal/Redaction Sheet

(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
10. Memo	From Cooper Evans to Governor Sununu Re: Special Assistant to POTUS on Agriculture (4 pp.)	12/19/88	P-2, P-5	

Collection:

Record Group: Bush Presidential Records
Office: Chief of Staff to the President, Office of the
Series: Sununu, John H., Files
Subseries: White House Offices File
WHORM Cat.:
File Location: Cabinet Affairs (1989) [1]

Open on Expiration of PRA
 (Document Follows)
 By OTC (NLGB) on 12/12/2007

Date Closed:	11/29/2004	OA/ID Number:	29175-009
FOIA/SYS Case #:	1998-0004-F	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]
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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)]

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MEMORANDUM

DATE : December 19, 1988
TO : Governor Sununu
FROM : Cooper Evans *CE*
SUBJECT : Special Assistant to the President on Agriculture

In response to your request, this memo outlines my views on the role of the special assistant to the President on agriculture.

I well understand that your approach to the White House organization would not naturally include a position for such a special assistant. However, as you know, the statute requires one. The question then is, how should the position be utilized to best serve the President without causing problems with "cabinet government"? Should the position be filled with a person of recognized stature in the agricultural community and used extensively, or merely filled and largely ignored? In my judgement the former is by far the better approach. If the post is filled with a person of discretion and good judgement the President and his staff will greatly benefit.

At our meeting on December 15, I gave you a copy of my memo to the President-elect, dated November 11. This paper is somewhat relevant and may help you assess my views and philosophy on the special assistant's role and on agricultural policy in general. Another copy of that memo is attached.

Of course, the basic function of the special assistant is to work closely with the Secretary of Agriculture to provide support and counsel to the President and his staff on matters relating to agriculture and rural America. In the performance of this task the special assistant plays an important complementary role to the Secretary.

As I visualize the specific functions of the special assistant, by far the most important is to do a lot of listening. When Congress created the position in 1985 an important objective was to ensure that there would be someone at the White House who is knowledgeable on agriculture and is willing to listen. In the opinion of many members of the Agriculture Committees, a number of political mistakes on ag policy might have been avoided if such a position had existed

and been used effectively. Even if the policy mistakes had not been avoided the political damage would have been reduced merely by the fact that "the White House at least listened". I believe the Agriculture Committees still hold similar views, which I share.

It is interesting that in recent weeks I have, purely by coincidence, been utilized informally as a listener for the President-elect -- first with Jesse Jackson, then with "dissident" farm groups, and on last Friday with national farm leaders who supported George Bush in the campaign. The results were positive in each instance. In fact, all expressed appreciation for the opportunity to share their views and strongly urged the President-elect to continue such listening sessions. They also noted there had been no similar opportunities in the past.

The second major function of the special assistant should be to inform and to educate. This goes far beyond merely reporting on thoughts, ideas, and concerns gathered by listening. Demands on the Secretary's time often do not permit him to fill this role adequately.

Relative to this function, there are a number of departments and agencies in addition to USDA which have a profound influence on agriculture and rural America. These include OMB, State, Treasury, Energy, Commerce, Transportation, AID, FCA, SBA, and EPA. Frequently the individuals in these offices who formulate policy proposals affecting agriculture are not as well informed as they might be on the impact of their proposals, nor are they aware of all possible alternatives. Equally important, they are sometimes not receptive to suggestions by USDA. A special assistant at the White House, who has the time to develop a good working relationship, could make a significant difference.

OMB and its proposals on agriculture are one case in point. The Reagan Administration, at OMB's urging, has persisted in sending to Congress proposals designed to reduce agricultural spending, but crafted in such a manner that they are often considered by Congress to be "dead on arrival". I suspect that the action officers at OMB are often not fully aware of a number of more innovative approaches which might offer better prospects of success.

A third area of major interest is coordination of policy. As you know, the special assistant now has no formal responsibility in this area. And I am not suggesting that such authority be assigned, particularly since this would be incompatible with the concept of "cabinet government". However as I have noted, policy affecting rural America emanates from many departments and agencies. These policies must be coordinated if they are to be effective rather than

counterproductive. My point is that the special assistant, through informal oversight and encouragement, could do much to ensure that appropriate coordination exists on a continuing basis.

Rural development provides an excellent example of the importance of such coordination. In the recent campaign, the President-elect repeatedly emphasized his commitment to revitalizing rural America. At present there are more than 20 federal programs in several agencies which have rural development implications. For success, these must be carefully coordinated. The special assistant should closely monitor the extent of coordination and suggest improvements when appropriate.

A fourth specific function of the special assistant should be to ensure that the President or his senior staff is aware of opportunities to increase the stature and support for George Bush in rural America. Many such opportunities related to agricultural policy arise. President Reagan seldom took advantage of them, perhaps because neither he nor his staff were informed when opportunities existed. The President-elect has already shown he will take a more active role in matters of concern to rural America and the special assistant can do much to ensure continued recognition of this commitment.

There are, of course, other functions assigned to the special assistant by statute and precedent. These should be continued.

Finally, in defining the job of the special assistant, the most important factor is to establish an acceptable approach to providing advice and counsel. Here I endorse the concept of "honest broker", a term the President-elect used in announcing the Scowcroft appointment. To me this means that the special assistant should provide not only his own views on a subject under consideration, but also the views of other persons and offices involved. This counsel must be given in a form and manner which facilitates decision making. Clearly, policy debates must be conducted internally, not in public.

In the area of administrative matters, there are several points I will raise. I would expect some assurance of reasonable access to you and to the President. I understand very well that there are tremendous demands on time and many subjects in addition to rural America which require attention. However, I believe there has been no access for the special assistant and some change is in order. With respect to staffing the office, I would expect one professional aide and the customary secretarial support. I assume the aide would be carried on the USDA roster, but

I would want the authority to at least "nominate" if not actually select this person. I would also expect strong continuing staff support from USDA. I believe this staffing proposal differs little from the present arrangements.

Finally, I would note that farm organizations understand well the significance of the advisory role within the White House. In their view, the manner in which the position is filled will be an important measure of the President-elect's commitment to agriculture.

As I told you and the President-elect, I would like to participate in the Bush administration and contribute to its success. I believe I am uniquely qualified for the special assistant post and could best serve the President in that role. In particular, I believe my experience as an elected representative of a rural constituency provides both an important sensitivity to their concerns and an ability to work with Congress.

THE WHITE HOUSE
WASHINGTON

April 17, 1989

MEMORANDUM FOR GOVERNOR SUNUNU
DAVID BATES
DAVE DEMAREST
CHRISS WINSTON
ROBERT GRADY

FROM COOPER EVANS *CE*
SUBJECT AGRICULTURE RADIO ADDRESS

I am delighted that the President will jointly participate with Secretary Yeutter in a farm radio broadcast tomorrow. The farm radio network is one of the most effective means of reaching rural America. It is virtually unprecedented for a President to make himself available for such a "listening" session. Expanding the accessibility of the President to farm and ranch families will be well received in the country. I sincerely appreciate your efforts to address concerns that the President continue to express his interest in rural America.

file
Rec'd COS
4/18/89
12:30
p.m.
THE CHIEF of STAFF
has seen

Withdrawal/Redaction Sheet

(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
11. Memo	From Cooper Evans to the President Elect Re: Agricultural Policy (4 pp.)	11/11/88	P-5	

Collection:

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M E M O R A N D U M

DATE : November 11, 1988
TO : The President Elect
FROM : Cooper Evans 
SUBJECT : Agricultural Policy

With the election over, it seems appropriate to outline thoughts on implementing agricultural policy in the Bush Administration. That is the purpose of this memorandum.

In the recent campaign you did an excellent job of appealing to farmers and ranchers. Your positions on agriculture were far better received than the vague and inconsistent statements of the Democrats.

However, election results make it clear that not all of rural America, particularly those who do not live on farms, is yet convinced that its brightest future lies with you and the Republican Party. It is true that many farmers and ranchers have prospered in the last two or three years. But rural Americans also know that the early years of the Reagan Administration were the most financially painful they ever experienced. They know that rural America did not recover from those bad years nearly as quickly or completely as the rest of the country. Further, they feel that Republicans were slow to recognize (1) the depth of the crisis in rural America and (2) that the problem had effects extending far beyond farms and ranches. In short, they have a "show me" attitude.

The point is: you have made a good start toward healing the wounds and rebuilding support in rural America. But there is some distance yet to go. The Bush Administration must build on the foundation which has been laid. This is vital to success in the 1990 and 1992 elections.

In developing agricultural policy one can easily fall into the trap of writing off rural America as consisting of a mere 2 million farmers and ranchers. It is important to recognize rural America as it really is -- the home of 60 million people, 25 percent of the U.S. population. Equally important are the facts that agriculture (1) is the largest industry in the U.S. and (2) has a major influence on the economic fortunes of all in rural America. The recent election clearly demonstrated the political importance of the rural constituency.

With these thoughts in mind, major long term goals of agricultural policy in the Bush Administration must include the following:

- * Strengthen the confidence of rural America in the Bush Presidency.
- * Reduce the cost of farm programs while maintaining a "safety net" under farm income.
- * Expand foreign markets for U.S. agricultural products, including both basic commodities and value added products.
- * Continue to press for world-wide elimination of subsidies and barriers which distort agricultural trade.
- * Minimize annual acreage reduction programs to keep the maximum practicable share of non-fragile lands producing for both domestic and foreign markets.
- * Modify existing farm commodity programs to minimize those features which distort economic decision making by farmers and ranchers.
- * Realign federal agricultural research and development programs to increase emphasis on:
 - Keeping U.S. agriculture competitive in world markets.
 - Finding new uses for the major commodities we now produce,
 - Reducing environmental risks, and
 - Identifying and promoting new crops and enterprises which over the longer term can contribute to prosperity in rural America.
- * Use rural development initiatives to encourage more off-farm jobs and increase the quality of life in rural America.
- * Increase actions to address the environmental problems facing agriculture and rural America.

These goals do not depart dramatically from current policy. In addition, they are totally compatible with the positions you have taken during the campaign.

To move toward these goals, a number of important steps should be taken in the months just ahead:

- * Increase the visibility and role of the President on agricultural issues and policy. Rural America and agriculture are rapidly changing. The president should assume a leadership role in shaping this change. Past Presidents have influenced agricultural policy principally by deciding whether to sign or veto legislation. The influence can be much more positive, with benefits both to agriculture and the President. This will come naturally to you. After all, you have spent more time in rural America and spoken more about agricultural policy than any other Presidential nominee in modern times.
- * To support the President's stronger role in agricultural policy, change the status and function of the existing position of Special Assistant to the President for Agricultural Trade and Food Aid. In practice, this position now serves as USDA's eyes and ears in the White House and as a USDA liaison officer to other departments, boards and agencies. In the Bush Administration this function should change. The new objectives should be to:
 - Provide a clearly visible commitment to agriculture and rural communities within the White House.
 - Serve as the President's personal emissary to rural America (not principally USDA's emissary to the White House).
 - Advise the President on policy relating to agriculture and rural affairs.
 - Continue the current functions of the office, including a close working relationship with USDA.
- * Begin immediately to strengthen the working relationship between the Administration (both White House and USDA) and the agricultural committees of the House and Senate.

The Democratic Congress will have a major role in agricultural policy. The closer the cooperation the better the results. It is important that the people you select for top USDA positions and as Special Assistant have the experience, contacts, skill and appropriate attitude to make this happen.

- * Take the lead in "listening" to rural America. Listening, on a continuing basis, will have a very positive effect in building support for the President. Congress will certainly begin hearings on agricultural policy in 1989, but these will require several months to organize. The President can easily seize the initiative by sending his Special Assistant to the country to talk with farmers, ranchers, and community leaders. Such action would be without precedent and would generate a very positive response in rural America.

The preceding paragraphs have addressed only broad policy objectives. In addition there are a number of more technical subjects which should receive attention early in the Bush Administration. Most offer the potential for significant improvements in program efficiency. Three examples will illustrate the point:

- * Improve the effectiveness of the annual acreage reduction programs as a tool to reduce the periodic surpluses of major commodities. Huge surpluses produce huge surges in the agricultural budget. There are a number of ways to make these set-asides work better and reduce costs.
- * Better define an approach to domestic agricultural policy which will be acceptable to both the federal government and farmers in the event the current GATT negotiations on agricultural trade are successful.
- * Review the Federal Crop Insurance Program to determine whether it should be totally redesigned or abandoned. The current system, basically a partnership between the federal government and private sector insurance companies, has not worked. Costs have escalated and use by farmers has not increased as Congress intended. Most important, federal crop insurance proved to be totally inadequate in the 1988 drought. Only the insurance companies have benefitted. If problems are not corrected soon, this could become a significant political problem for the Bush Administration.

THE WHITE HOUSE

WASHINGTON

May 10, 1989

Rec'd COS
MAY 11 1989

MEMORANDUM FOR GOVERNOR SUNUNU

THROUGH: DAVID BATES

FROM: LEHMANN LI

SUBJECT: HDTV

THE CHIEF of STAFF
has seen

JUN 24 1989

This memo presents some information about the technical aspects of HDTV.

HDTV receivers

A television receiver produces images by scanning an electron beam across the back of the screen of a picture tube. Current television receivers produce pictures by scanning 525 lines at a rate of 30 complete pictures per second. These standards were set by the National Television System Committee (NTSC).

By increasing the number of scan lines and scanning them at a faster rate, a television receiver can improve the resolution of the image. An HDTV receiver would improve picture quality by scanning more than 1,000 lines at a rate of 50 to 60 times a second.

In addition, an HDTV receiver would produce a wider picture than current television receivers. The image of a television or movie picture is measured by the "aspect ratio," which is the ratio of picture width to picture height. The aspect ratio for current television receivers is 4:3 or 12:9. By comparison, the aspect ratio of HDTV receivers is 16:9, which is about the same ratio as the standard movie theater screen.

HDTV receivers could produce compact disc quality sound by transmitting sound digitally.

In sum, HDTV receivers could provide improved picture quality, wider pictures, and better sound than current television receivers. Observers suggest HDTV produces a picture similar in clarity and color to a 35mm motion picture.

HDTV transmissions

There are several ways to transmit an HDTV signal. It could be broadcast over radio waves, transmitted through cable, transmitted by satellite, or recorded on videodiscs or videocassettes.

Broadcast. The FCC recently issued a rule requiring that any HDTV broadcast system be compatible with current television receivers. That is, an existing television should be able to receive an HDTV signal as well as standard NTSC signals.

A standard NTSC signal uses 6 MHz of spectrum space. Because of the additional information it contains, an HDTV signal would use either 9 or 12 MHz of bandwidth. The wider bandwidth requirement of HDTV broadcast signals means that there would have to be fewer HDTV channels since the FCC decided not to change the spectrum space allocated to television.

Cable. While cable television does not face spectrum space allocation problems, it also needs a wider bandwidth to transmit HDTV signals since cable channels are based on the 6 MHz bandwidth standard.

Satellite. HDTV systems can transmit signals directly from satellites to the home. Because there is much more spectrum space available at satellite operating frequencies, satellite transmissions do not face the same limits as broadcast or cable television. In fact, Europe and Japan are implementing HDTV systems by using satellite transmissions.

Videodiscs and videocassettes. One can produce HDTV videodiscs or videocassettes by compressing data on to the discs or cassettes. Because this medium does not face the spectrum allocation limits of broadcasting, some observers believe that HDTV will appear sooner in the United States on VCRs than over-the-air.

Withdrawal/Redaction Sheet

(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
12. Memo	From Lehmann Li to Governor Sununu Re: HDTV (3 pp.)	5/15/89	P-5	

Collection:

Record Group: Bush Presidential Records
Office: Chief of Staff to the President, Office of the
Series: Sununu, John H., Files
Subseries: White House Offices File
WHORM Cat.:
File Location: Cabinet Affairs (1989) [1]

Open on Expiration of PRA
 (Document Follows)
 By DL (NLGB) on 5/12/2005

Date Closed:	11/29/2004	OA/ID Number:	29175-009
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 (b)(9) Release would disclose geological or geophysical information

THE WHITE HOUSE

WASHINGTON

May 15, 1989

MAY 15 1989

MAY 15 1989

MEMORANDUM FOR GOVERNOR SUNUNU

THROUGH: DAVID BATES

FROM: LEHMANN LI

SUBJECT: HDTV

THE CHIEF of STAFF
has seen
JUN 24 1989

This memo presents some arguments on why it is important for the US government to promote HDTV and other arguments on why government should not promote HDTV.

Arguments for

There are three major arguments for government involvement in the development of HDTV.

1. Potential market for HDTV. Supporters of HDTV argue that the US government should promote HDTV because of the potential market for HDTV products. The American Electronics Association estimates that global sales of HDTV receivers and VCRs will total about \$40 billion a year by 2010. HDTV supporters suggest that without US government promotion, the US will lose to Japan and Europe the entire HDTV market and the jobs associated with such production.
2. "Technology driver." Most supporters of HDTV argue that more is at stake than just a new generation of television receivers with higher quality pictures. These supporters argue that HDTV production will drive the development of new technologies. The two technologies cited most often are semiconductors and computers.

HDTV technology will significantly increase demand for semiconductors. For example, the NEC prototype HDTV receiver includes chips to convert analog signals to digital ones, processing chips, and memory chips. HDTV receivers will use substantially more of these semiconductors than current television receivers.

HDTV supporters argue that if the US does not produce HDTV, US semiconductor firms will lose market opportunities since Japanese HDTV producers will buy Japanese semiconductors.

Furthermore, HDTV supporters argue that if the US semiconductor industry is weakened, the US computer industry will be weakened as well since it will become more dependent on foreign sources of semiconductors.

3. National security. Supporters of HDTV argue that the US should develop HDTV to enhance our national security. These supporters suggest that high definition display technology could create, inter alia, flat panel displays for use in advanced weapons systems.

Arguments against

There are three major arguments against government involvement in the development of HDTV.

1. Uncertain market for HDTV. Most of the benefits of HDTV rest on the assumption that consumers will buy HDTV. If consumers do not buy HDTV, there will not be HDTV production and jobs. If consumers do not buy HDTV, there will be no **additional** demand for semiconductors and HDTV will not "drive" the development of new technology.

It remains unclear whether consumers will buy HDTV. Consumers readily accepted VCR and compact disc technology. On the other hand, consumers do not always accept new technologies, for example, quadriphonic sound.

Consumer acceptance of HDTV will depend significantly on its price. Observers expect the early Japanese HDTV receivers to cost about \$3,000 each. However, like many electronics products, one can expect the unit price to decline over time.

There have been relatively few studies of the market potential of HDTV. One interesting study by the Advanced Television Research Project at MIT concluded that "the mass audience in comparing standard broadcast NTSC to HDTV found the difference to be a subtle one, highly dependent on the distance from screen, the nature of the programming and other conditions of viewing."

2. Late start. Some observers argue that even if HDTV does become a lucrative market, the US government should not try to develop a domestic HDTV industry because Japanese and European firms have too large a lead in this technology. The Japan Broadcasting Corporation plans to introduce HDTV channels next year. France has already launched a satellite that can transmit HDTV signals.

Meanwhile, there is only one US-owned television manufacturer left -- Zenith with less than 15 percent of the US market. Some observers say that the US government investment to start a US HDTV industry would be prohibitive.

3. US production. Some observers argue that even if HDTV does become a lucrative market and the US cannot catch up in developing HDTV technology, the US will benefit in any case because most of the production will probably take place in the US. Most television receivers sold in the US are manufactured in the US even though most TV manufacturers are foreign-owned. For example, picture tubes represent the most expensive part of a television receiver and most picture tubes are manufactured in the US because they are so fragile.