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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

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**OA/ID Number:** 29181  
**Folder ID Number:** 29181-004

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**Folder Title:**  
Policy Development (Porter) (1991) [1]

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# Withdrawal/Redaction Sheet

## (George Bush Library)

| Doc. No. / Type | Subject/Title                                                                                 | Date     | Restriction       | Classification |
|-----------------|-----------------------------------------------------------------------------------------------|----------|-------------------|----------------|
| 01. Message     | Message from PM Major to President Bush<br>Re: Uruguay Round (3 pp.)                          | 11/18/91 | (b)(1)            | C              |
| 02. Memo        | Memo of conversation from Roger Porter<br>Re: Meeting w/Naomichi Suzuki (2 pp.)               | 11/1/91  | <del>(b)(1)</del> |                |
| 03. Memo        | From Larry Lindsey to Roger Porter<br>Re: Barron's Article on Employment Data (1 pp.)         | 10/29/91 | P-5               |                |
| 04. Memo        | From Roger Porter to John Sununu<br>Re: ITC Nominations (3 pp.)                               | 10/23/91 | P-2, P-5          |                |
| 05. Memo        | From Roger Porter to POTUS<br>Re: Multiculturalism (2 pp.)                                    | 9/12/91  | P-5               |                |
| 06. Memo        | From Roger Porter to POTUS<br>Re: HIV and Immigration (3 pp.)                                 | 8/19/91  | P-5               |                |
| 07. Memo        | Memo of Conversation From Roger Porter<br>Re: Meeting w/Korean Special Envoy Cho Soon (3 pp.) | 12/19/90 | <del>(b)(1)</del> |                |
| 08. Memo        | From Roger Porter to John Sununu<br>Re: CFIUS Report on FANUC/Moore Investigation (1 pp.)     | 1/18/91  | P-5               |                |

Page 1 of 1

### Collection:

**Record Group:** Bush Presidential Records  
**Office:** Chief of Staff to the President, Office of the  
**Series:** Sununu, John, Files  
**Subseries:** White House Offices Files  
**WHORM Cat.:**  
**File Location:** Policy Development  
(Porter) (1991) [1]

**Pinksheet Number:** KO0810  
**OA/ID Number:** 29181-004  
**Date Closed:** 12/28/2004  
**FOIA/Sys Case #:** 1998-0004-F[2]  
**Re-review Case #:** 2005-0426-S  
**P-2/P-5 Review Case #:**



THE WHITE HOUSE  
WASHINGTON

November 26, 1991

MEMORANDUM FOR THE PRESIDENT

FROM: ROGER B. PORTER *RBP*  
SUBJECT: One Page Statement on AIDS

You asked for a one page authoritative statement on AIDS. The attached statement has been reviewed and approved by Tony Fauci, Bill Roper at the Centers for Disease Control, and by Secretary Sullivan's office.

The statement is designed to:

1. Explain that your administration views AIDS as a major health problem -- we care;
2. Outline the four-part strategy (research, prevention, treatment, and help to individuals and communities) that we are pursuing (including facts about how much we are spending and that much of the research is promising); and
3. Emphasize the responsibility of those not infected to behave in ways that will avoid infection (the point you made yesterday in Columbus) and to act with compassion toward those who are infected.

A longer-four page memorandum from Secretary Sullivan on this subject is also attached.

cc: Governor Sununu

Attachments

## AIDS

AIDS is a public health problem that challenges all of America. The approximately one million Americans infected with the Human Immunodeficiency Virus (HIV) deserve the best our biomedical research can produce and care in times of need. Those not infected need education and prudence to avoid infection, and should show compassion for those who are infected.

The Administration is pursuing a four part strategy in the battle against AIDS:

- A major biomedical research effort with three elements: research on the nature of the virus that leads to AIDS, research on treatment of HIV infection and its complications, and the development of vaccines to immunize against the virus.
  - Our nation's investment in biomedical research is enabling us to make rapid research advances. Had AIDS occurred before this investment, we would have been without the tools that make research and treatment possible.
  - The Administration is supporting research that promises to prolong and enhance the quality of life of those infected and to protect those who are not. Over 50 drugs to slow the progress of the virus or minimize its complications and five candidate vaccines are currently in NIH-sponsored clinical trials.
- Prevention of new cases of infection through education, greater awareness of how HIV is transmitted, and efforts to change behaviors that lead to infection.
  - The federal government is committing more resources to AIDS research and prevention than to research and prevent any other disease.
  - The greatly expanded testing effort allows those infected to seek early treatment and to modify their behavior to avoid infecting other people.
- Treatment of those who are infected with HIV and development of new and more effective treatments for the complications of HIV infection.
  - The Administration has reformed the review process for drug approvals in order to expedite the availability of promising new treatments.
- Help to individuals and communities to meet the costs of the disease for those with few resources and to provide legal support against discrimination.
  - The President signed the Americans with Disabilities Act that will provide legal protection to HIV infected Americans against discrimination in public accommodations and employment, and the Ryan White Act, which provides assistance to hard hit communities and medical help to individuals before their HIV infection progresses to AIDS.
  - The Medicaid program ensures that those who have AIDS and are so disabled they cannot work are not without health care.

Meeting the AIDS challenge is appropriately a major Administration priority and merits the \$4.3 billion commitment the President has made for this year to his comprehensive research, prevention, and treatment strategy. The President set the tone for the Administration's effort when he told the National Leadership Coalition on AIDS, "In this nation, in this decade, there is only one way to deal with an individual who is sick: with dignity, with compassion, care, and confidentiality – and without discrimination."

**THE WHITE HOUSE  
WASHINGTON**



**Date:** November 21, 1991

**TO:** ROGER PORTER

**FROM:** KATIE WINKELJOHN

Here is the HHS submission to the  
memo I gave you this afternoon  
from the President

Perhaps you could condense it and  
make sure Faucci has signed off on it.



THE WHITE HOUSE  
WASHINGTON

November 21, 1991

MEMORANDUM FOR GOVERNOR SUNUNU

FROM:

EDE HOLIDAY *grd for*

SUBJECT:

Memorandum on HIV Infection and AIDS

Attached is a memorandum from Secretary Sullivan outlining the major issues surrounding the HIV virus and AIDS.

If you wish, I'd be happy to work with HHS to prepare a condensed, one-page summary of this document.

Attachment



THE SECRETARY OF HEALTH AND HUMAN SERVICES  
WASHINGTON, D.C. 20201

MEMORANDUM FOR GOVERNOR JOHN SUNUNU

NOV 21 1991

This responds to your request for a memorandum discussing important issues associated with the AIDS epidemic.

HIV Infection and AIDS: Overview

The first cases of AIDS were recognized and reported in the United States in the Spring of 1981. Currently, approximately one million Americans are infected with HIV. Forty to eighty thousand new infections occur each year. Although a small proportion of people are diagnosed with AIDS within a few years of HIV infection, the median time to diagnosis is approximately ten years. This time is expected to lengthen as more people receive treatment and prophylactic therapy at an earlier stage of the disease process.

AIDS Disease Demographics

- o Almost 200,000 AIDS cases have been reported to the Centers for Disease Control since 1981. About 44,000 have been reported during the last 12 months.
- o Nearly 85% of cases are between 25 and 50 years of age at diagnosis; less than 2% are under age 13.
- o 12.4% of cases reported in the last 12 months are women, this rate is rising.
- o 25.7% of cases are among Blacks; 15.6% among Hispanics; and 57.7% among whites. Of cases in women 73% are among minorities. The racial distribution of cases in children reflects that of women.
- o Among men: 65% of cases are homosexual or bisexual; 19% are injection drug users and 7% have both risk factors; 3% indicate heterosexual contact; 2% were infected through transfusions, 1% have hemophilia and were infected through blood products; and 3% had no specific risk factor determined.
- o Among women: 51% of cases are injection drug users; 34% infected through heterosexual contact; 8% through blood transfusions; and, 7% have no specific risk factor determined.
- o Among children: 84% were born to an infected mother (perinatal infection); 9% were infected through transfusions; and 5% through treatments for hemophilia.



- o The trend of infection for both men and women show an increase of cases from heterosexual contact. Among adolescents, the frequency of HIV infection is significant, most commonly through sexual contact.
- o Comparing the year 1990 with 1991, AIDS cases among men that had heterosexual contact as means of HIV transmission has increased 14.6%, from 1057 to 1211 cases; the number of AIDS cases among women who had heterosexual contact as means of HIV transmission has increased 15.5% from 1709 to 1976.
- o In 1991, AIDS cases reported among 13-19 year olds, almost half have contracted AIDS through sexual contact (heterosexual and homosexual). For those 20-24, two-thirds of the AIDS cases are due to sexual contact (heterosexual and homosexual). It can be assumed that many of those in the age group of 20-24 contracted HIV during their adolescence.

#### Federal Funding for AIDS Research and Services

- o Specific funding for AIDS-related research and services started at \$8 million in FY 1982, and increased to the \$4.3 billion estimated for FY 1992. Appropriations by Department and year are attached.
- o The largest increases for FY 1992 over FY 1991 are treatment (Medicare, Medicaid and Veterans Affairs) and income support (Supplemental Security Income). Federal support for FY 1992 includes, research (\$1.3 billion), prevention (\$530 million), treatment (\$2.0 billion), and income support (\$440 million).
- o The Federal government spent \$1.7 billion on cancer research and prevention in 1991, \$3.7 billion on AIDS and \$.7 billion on heart disease.
- o At the same time, cancer was expected to cause 514,000 deaths, heart disease to cause 713,000 deaths and AIDS to cause approximately 26,000 deaths.

#### Research Prospects

- o National Institute of Health-sponsored research on the basic mechanisms whereby HIV damages the body's immune system has laid the framework for the development of drugs and vaccines against HIV infection. This line of research will also have inevitable benefit for other diseases involving the body's immune system in addition to HIV infection.



- o Over 50 drugs for HIV infection and its complications are currently in clinical trials sponsored by the National Institutes of Health. Based on this clinical trial process, several drugs such as ddI for HIV infection and foscarnet for sight-threatening cytomegalovirus infection have been approved by the FDA during 1991.
- o NIH-sponsored research on monkey and chimpanzee models has demonstrated the feasibility of developing a vaccine for HIV infection. Currently there are at least 5 candidate vaccines in NIH-sponsored clinical trials. This will provide the first step towards the development of vaccines for HIV infection.

#### Therapeutic Advances

- o Currently, two drugs (medications) have been approved by the FDA that slow the progression of HIV; they are AZT and ddI. By slowing the progress of the virus, patients using these medications are now living longer.
- o Medications to prevent and fight pneumonia (Pentamidine), cancers (Alpha Interferon), blindness (Ganciclovir, Foscarnet), tuberculosis (INH) and other opportunistic infections are being used to treat those afflicted with HIV. Also, to treat drug induced anemia in AIDS patients, Erythropoietin has been approved by the FDA to stimulate the bone marrow to produce more red blood cells. These medications have been proven to be effective in prolonging and enhancing the quality of life for HIV-infected persons.

#### AIDS as an International Health Problem

- o The World Health Organization estimates over 1 million cases of AIDS have occurred, and 8-10 million adults are HIV infected throughout the world. By the year 2000, more than 40 million adults and children will be infected. About 75% of adults with the AIDS virus worldwide were infected through heterosexual transmission.
- o In addition to the widely discussed epidemic in African nations, AIDS is continuing to grow at an explosive rate in Latin America and Asia, primarily through heterosexual transmission.

#### Important AIDS-Related Issues

- o Because of the groups primarily affected, fear of a new, complex and deadly infectious disease, AIDS has raised considerable anxiety in the general public. This anxiety has fostered prejudice and discrimination in jobs, housing, medical insurance coverage and medical care. Hopefully,



November 13, 1991

Memo to John Sununu

Re: AIDS

1. I need a one page authoritative statement on AIDS  
e.g. it's a health problem  
behaviour, education, research, testing should  
all be touched on  
compassion.
2. This should be approved (or drafted ) by HHS, run by Tony  
Fauci. We need a set statement of policy that everyone in admin.  
adheres to. Please have this delivered in one week.

Thanks:

*W*  
*/CB*

FROM THE PRESIDENT

THE WHITE HOUSE

WASHINGTON

AC/TM

December 2, 1991

MEMORANDUM FOR GOVERNOR SUNUNU

FROM: ROGER B. PORTER *RBP*  
SUBJECT: Global Environment Facility

THE CHIEF of STAFF  
has seen

A one-page statement of U.S. policy prepared by Treasury (Olin Wethington) following the November 22 meeting in your office is attached. The statement has been cleared by the U.S. Executive Director to the World Bank (Pat Coady), State (Chris Dawson), OMB (Bob Grady), Richard Porter, and Steve Farrar.

The paper is serving as the basis for U.S. efforts this week in Geneva to build support for the U.S. position.

Attachment



## EVOLUTION OF THE GLOBAL ENVIRONMENT FACILITY

## U.S. Position

The United States believes that certain principles and structures must guide the reconstitution of the Global Environment Facility (GEF) beyond the initial three year pilot phase. These are the following:

1. There should be a single financing mechanism (unitary fund) to support financing requirements for global environmental activities in developing countries. This includes those arising from environmental conventions and other environmental activities targeting incremental global benefits.
2. The U.S. Government will oppose any proliferation of funding mechanisms. Within the GEF it will oppose establishment of sub-funds. Funding in support of conventions that might come on line in the future should be through the GEF.
3. The GEF should act as the fund raiser and provide financing for projects in support of international conventions. Conventions could suggest general guidelines and specific proposals for financing.
4. The GEF should be housed within the World Bank with Bank management and staff responsible for appraising projects and administering the Fund.
5. Environmental issues should be debated and approved along side other development priorities in a common forum, the Board of Executive Directors of the World Bank. This Board will be vested with authority to approve all projects (beyond a de minimis amount delegated to the management).
6. Appropriate advisory roles and responsibilities for UNDP, UNEP and NGOs should be designed.

11/26/91

THE WHITE HOUSE  
WASHINGTON

AC/TM

November 17, 1991

MEMORANDUM FOR GOVERNOR SUNUNU

FROM: ROGER B. PORTER *RBP*  
SUBJECT: Boston Harbor Labor Agreement

THE CHIEF of STAFF  
has seen

At my request, Marianne McGettigan met with William Curtin of the law firm of Morgan, Lewis & Bockius. Mr. Curtin is one of the premiere management labor lawyers in the country. He is currently representing management in a dispute over the Boston Harbor Labor Agreement. The details of the case are outlined in the attached memorandum.

The case was heard by the First Circuit Court of Appeals and a petition for review is now pending before the Supreme Court. The Court has asked the Solicitor General for a brief on the issue of whether review should be granted. Mr. Curtin's briefing focused on three points --

- Management relies heavily on project stabilization devices, like the one at issue, to promote harmony and timeliness in the completion of large-scale projects.
- Use of the devise in the case of Boston Harbor will ensure management that the 10 year, \$6 billion project will be completed on time.
- He hopes that we will simply stay uninvolved in the decision of the Solicitor General on the issue of Supreme Court review.



# Withdrawal/Redaction Sheet

## (George Bush Library)

| Document No.<br>and Type | Subject/Title of Document                                            | Date     | Restriction | Class. |
|--------------------------|----------------------------------------------------------------------|----------|-------------|--------|
| 01. Message              | Message from PM Major to President Bush<br>Re: Uruguay Round (3 pp.) | 11/18/91 | (b)(1)      | 2      |

**Collection:**

**Record Group:** Bush Presidential Records  
**Office:** Chief of Staff to the President, Office of the  
**Series:** Sununu, John, Files  
**Subseries:** White House Offices Files  
**WHORM Cat.:**  
**File Location:** Policy Development  
(Porter) (1991) [1]

|                               |                  |                             |           |
|-------------------------------|------------------|-----------------------------|-----------|
| <b>Date Closed:</b>           | 12/28/2004       | <b>OA/ID Number:</b>        | 29181-004 |
| <b>FOIA/SYS Case #:</b>       | 1998-0004-F[2]   | <b>Appeal Case #:</b>       |           |
| <b>Re-review Case #:</b>      | 2005-0426-S      | <b>Appeal Disposition:</b>  |           |
| <b>P-2/P-5 Review Case #:</b> |                  | <b>Disposition Date:</b>    |           |
| <b>AR Case #:</b>             | 98-0004-F/2      | <b>MR Case #:</b>           |           |
| <b>AR Disposition:</b>        | Released in Part | <b>MR Disposition:</b>      |           |
| <b>AR Disposition Date:</b>   | 12/18/1998       | <b>MR Disposition Date:</b> |           |

### RESTRICTION CODES

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

P-1 National Security Classified Information [(a)(1) of the PRA]  
P-2 Relating to the appointment to Federal office [(a)(2) of the PRA]  
P-3 Release would violate a Federal statute [(a)(3) of the PRA]  
P-4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]  
P-5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA]  
P-6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

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

PRM. Removed as a personal record misfile.

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

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



THE WHITE HOUSE  
WASHINGTON

November 18, 1991

MEMORANDUM FOR THE PRESIDENT

FROM: ROGER B. PORTER *RBP*  
SUBJECT: Message from Prime Minister Major

The British Ambassador has sent the attached message from Prime Minister Major which he asked be passed on to you. The message provides encouragement for the efforts you have been making to bring the Uruguay Round to a successful conclusion, and cites the crucial roles of maintaining momentum and appropriate flexibility in achieving this result.

Prime Minister Major expressed his hope that you would let him know of any problems where his intervention as G7 Chairman might help.

Attachment

cc: Governor Sununu ✓  
Brent Scowcroft



British Embassy  
Washington

From the Private Secretary

18 November 1991

Mr Roger B Porter  
Assistant to the President for Economic  
and Domestic Policy  
The White House  
Room 2/WW  
Washington DC 20500

3100 Massachusetts Ave N.W.

Washington D.C. 20008-3600

Telephone: (202)

Telex: RCA 211427 or 216760-WUI 64224

Facsimile: (202) 898-4255

Dear Mr Porter,

The Ambassador, who is presently away from the office with a visiting Minister, has asked me to pass to you the enclosed message from the Prime Minister. I will be most grateful for your help in passing it to the President.

Yours Sincerely,

Edward Oakden

E A Oakden

Perhaps the key point for the President is in the last paragraph

Information

THE WHITE HOUSE

WASHINGTON

November 14, 1991

31 NOV 14 AM : 41

MEMORANDUM FOR THE PRESIDENT

FROM: ROGER B. PORTER *RBP*

SUBJECT Survey on Mentally Ill Homeless in Urban America

Conference of Mayors Survey

The U.S. Conference of Mayors reported last Friday that the number of homeless people with severe mental illnesses is growing. They surveyed city officials and asked what they thought about their homeless populations. They reported:

- An average of 33 percent of homeless persons in the survey cities suffer from severe mental illnesses;
- The number of homeless mentally ill persons in the survey cities has increased by 7 percent in the past year;
- The mayors most frequently cited a rise in the number of people discharged from state mental hospitals as the cause of this increase.

The Conference of Mayors' surveys, released every year about two weeks before Thanksgiving, have significant methodological flaws. This survey relied on the opinions and guesstimates of local officials, asked for percentage changes rather than absolute numbers, and did not adjust for differences in city size.

Despite this somewhat impressionistic approach to gathering data on homelessness, the thrust of the Mayors' findings are consistent with the trends reported by the National Institute of Mental Health.

Decline in size and number of mental hospitals

One of the most striking developments in the past four decades is the size and number of mental hospitals in the U.S. The National Institute of Mental Health reports:

- The number of State and county mental hospitals has fallen from 322 hospitals in 1950, to 315 hospitals in 1970 and to 290 in 1989.
- The number of patients in State and county mental hospitals has declined dramatically over this period.



Patients in Mental Hospitals

|      |         |
|------|---------|
| 1950 | 512,501 |
| 1970 | 337,619 |
| 1989 | 101,402 |

Interestingly, unlike their pattern in previous years, the Mayors did not lay the principal responsibility for this situation, or for reversing it, on the Federal Government.

THE WHITE HOUSE

WASHINGTON

November 11, 1991 NOV 11 P6:22

MEMORANDUM FOR THE PRESIDENT

FROM: ROGER B. PORTER *RBP*  
SUBJECT: The Ideal of the Melting Pot

You recently asked me to write you a piece on multiculturalism. I am pleased to supplement my earlier memo with an article by David Warsh that appeared while you were in Europe.

Warsh makes the interesting point that a key to understanding the success of the Republican Presidential candidate in five of the last six presidential elections is that the Republican Party has embraced the ideal of America as a melting pot. It is the notion that our culture should assimilate the multitude of diverse cultures that have come to our shores.

In reviewing Arthur Schlesinger, Jr.'s recent book "The Disuniting of America: Reflections on a Multicultural Society," he notes that "the stated convictions of presidents Reagan and Bush are far closer to those of Washington, Lincoln, and FDR than are those of many recent Democratic presidential candidates." His piece is short, crisp, and worth reading.

Attachment



# Republicans Hold the High Ground by

## Embracing Melting Pot Ideal

A standard argument about the centrality of race in America has become popular among Democrats. It goes something like this:

When the Democrats committed to the Civil Rights Act of 1964, they finally gave the Republicans something to campaign against, and the Republicans have been doing just that ever since. Forced busing, housing integration, welfare abuse, affirmative action, resentment of taxes designed to drive home the cost of these policies—these issues culminated in the elevation of Willie Horton to the level of a platform principle in 1988, or so the story goes. In their recent book "Chain Reaction," Thomas and Mary Edsall put it this way: "Race has become a powerful wedge, breaking apart what had been the majoritarian economic interests of the poor, working and lower-middle classes in the traditional liberal coalition."

The counter-argument, that race has almost nothing to do with the most pressing issues facing America, is heard less often, perhaps because it is so deeply embedded in the unspoken present-day Republican political platform. But it may provide the key to understanding any number of phenomena. The best expression of it is to be found in a recent little book by Arthur Schlesinger Jr.

"The Disuniting of America: Reflections on a Multicultural Society" has been scarcely noticed because it is part of the Whittle Series of giveaway books. It has color advertisements for Federal Express, the company that sponsored the series, between its graceful chapters.

Historian Schlesinger traces the great traditional image of America as a melting pot and finds that the national motto has been "Never look back." Visitors to America from Alexis de Tocqueville to Gunnar Myrdal have remarked on the existence of a pervasive creed of

assimilation. "Most of those intrepid Europeans who had torn up their roots to brave the wild Atlantic and attain America wanted to forget a horrid past and embrace a hopeful future. They expected to become Americans," Schlesinger writes.

Waves of immigration have periodically brought reaction, he notes, as when Millard Fillmore ran as a Know-Nothing for the presidency in 1856 on an anti-Catholic platform. And there have always been critics of the melting pot ideal, such as philosopher Horace Kallen, who in 1915 suggested that ethnic differences tend to persist over time in neighborhoods such as Little Italy, Chinatown, Yorkville and Harlem.

But in general, Schlesinger notes, what had been called "the amazing solvent power" of American institutions and ideals to make one people remained remarkably powerful over time. The periodic backlash has vanished, usually as quickly as it has arisen. To be sure, dark currents of discrimination have been a part of American life, too. But the melting pot ideal has been affirmed, from Washington to Lincoln to Franklin Roosevelt.

World War II gave the creed new bite, Schlesinger writes. Hitler's racism forced America to examine its own racial assumptions. "How, in fighting abroad against Hitler's doctrine of the Master Race, could Americans maintain a doctrine of white supremacy at home? How, with China a faithful American ally, could Americans continue to forbid Chinese to become American citizens?"

Thus the years after 1945 brought a remarkable new dismantling of barriers to assimilation: the integration of the armed forces, the demise of quotas for Jews (and their newfound solidarity with Israel), *Brown v. Board of Education*, new immigration laws, the civil rights acts and new forms of equality for women.

Starting sometime in the 20th century, however, the common American identity came under attack, Schlesinger writes. At first it was European immigrants of non-British origin, the so-called "unmeltable ethnics" who rebelled against America's WASP traditions. Then came the "Afrocentric" historians, determined to retrace the past of the one group that hadn't willingly emigrated to America. Somewhere along the line, Schlesinger writes, "the escape from origins has given rise to the search for roots." Among historians, Hansen's Law was cited: "What the son wishes to forget, the grandson wishes to remember." Other groups chimed in, seeking to affirm their separateness and entitlement to special consideration: students, women, homosexuals, the handicapped, native Americans.

Perhaps the key symbolic event in this "disuniting of America," Schlesinger suggests, is the 1974 Ethnic Heritage Studies Program Act—a congressional measure that, while little-noted nor long-remembered, seems to sum up all of the arrogance of the cult of ethnicity. It embodies the attitude that is precisely what the so-called Silent Majority resents but cannot quite put its finger on, as Schlesinger describes it, "a statute that, by applying the ethnic ideology to all Americans, compromised the historic right of Americans to decide their ethnic identities for themselves. The act ignored those millions of Americans—surely a majority—who refused identification with any particular ethnic group."

One key to understanding the Republican majority that has emerged since 1968, then, is to recognize that the party's leaders have embraced the melting pot ideology. That is why highly visible appointments such as Gen. Colin Powell and Supreme Court Justice Clarence Thomas are important. That is why its attacks on Willie Horton in

1988 had more to do with class than race. That is why the recent attacks on the more extreme forms of multicultural education have come from the conservatives, not liberals. That is why the administration says it is hoping to capture 25 percent of the black vote in 1992.

Indeed, Schlesinger doesn't say so—having been an adviser to both John and Robert Kennedy, he's not about to become a Republican, after all—but it cannot have escaped his notice that the stated convictions of presidents Reagan and Bush are far closer to those of Washington, Lincoln and FDR than are those of many recent Democratic presidential candidates. The Republicans seem to have figured out how to command the high ground here: Ethnicity is all right up to a point, they say, but the common culture is the overriding fact. Therefore, bilingualism is generally a bad idea. Therefore, a common curriculum is good. Therefore, affirmative action is okay, if it doesn't undermine the integrative ideal. Therefore, Leonard Jeffries, the Jew-baiting black, is as reprehensible as David Duke, the black-baiting former leader of the Ku Klux Klan.

On this analysis, it is not the Civil Rights Act of 1964 against which George Bush is running, but rather the Ethnic Heritage Studies Program Act of 1974. You can believe the Edsalls' argument in "Chain Reaction." Or you can believe Arthur Schlesinger's analysis of "The Disuniting of America." But you cannot believe both. His ongoing defense of the melting pot ideal explains one reason George Bush has been making such great gains.

David Warsh is a columnist for the Boston Globe.



THE WHITE HOUSE

WASHINGTON

November 11, 1991

MEMORANDUM FOR JAMES A. BAKER III  
NICHOLAS F. BRADY  
ROBERT A. MOSBACHER  
LYNN M. MARTIN  
CARLA A. HILLS  
✓ JOHN H. SUNUNU  
BRENT SCOWCROFT

FROM: ROGER B. PORTER *RBP*  
SUBJECT: U.S. Investment Policy

A copy of my remarks to the European Institute on U.S.  
Investment Policy is enclosed for your information.

Attachment

**United States Investment Policy**

**Roger B. Porter  
Assistant to the President  
for Economic and Domestic Policy**

**The European Institute  
September 23, 1991  
Washington, D.C.**

## United States Investment Policy

Roger B. Porter

### Introduction

I am honored to be part of a conference on European investment in the United States. Madam Grapin, Ambassador Van Agt, the European Institute, and the Delegation of the European Communities have done us a great service by bringing together such a distinguished group to discuss international investment issues.

One of the most encouraging economic developments of the last decade has been the increasing acceptance of open investment policies worldwide. Although economists have known for over two centuries that open trade and investment policies promote higher living standards, protectionism and investment restrictions continue to exert a strong emotional appeal.

In part, this latent attraction to policies we know are flawed reflects the persistent tension between the desire for stability and a recognition of the need for change. As a nation experiences rapid economic and technological change, there is sometimes a sense that it is losing control of its economic destiny. The temptation is strong to seek to maintain control by adopting policies designed to ensure that a nation's assets are owned by its own citizens or by lashing out at foreigners.

The tension between stability and change was brought home to me in the late 1960's and early 1970's when I was fortunate to live and study in Great Britain. During this time, I traveled extensively in Europe. It was a wonderful experience -- seeing first-hand European cities, and meeting and talking to other young people.

During our conversations, there was considerable interest in Jacques Servan-Schreiber's book, The American Challenge. The book's argument was simple and straightforward: American investment threatened European national security and sovereignty. Servan-Schreiber warned that if large American investments were permitted to continue, Americans and not Europeans would be making the important decisions regarding Europe's future.

This tension over foreign investment exists in every society. Just as large amounts of American investment



generated a strong reaction from some Europeans a quarter of a century ago, recent acquisitions of landmark properties such as the Rockefeller Center, Columbia Motion Pictures, and the Pebble Beach Golf Course have raised fears in the United States about losing control of our economic future. Members of Congress and aspiring commentators periodically appear on television to warn that the United States is being taken over and that precious U.S. assets are being acquired by foreigners. Often, they urge new legislation to keep America safe by restricting foreign trade or foreign investors.

My purpose today is three-fold:

- First, to review the Bush Administration's policies toward foreign investment in the United States and American investment abroad;
- Second, to argue that investment restrictions and economic isolationism are not a viable strategy in a global economy;
- Third, to argue that the principal issues confronting the global economy and our domestic prosperity require enhanced cooperation between the United States, Europe, and Japan.

#### U.S. Investment Policy

U.S. investment policy is built on two fundamental principles:

First, the United States welcomes foreign direct investment; and

Second, the United States seeks to liberalize investment regimes abroad to assure fair, open, and non-discriminatory treatment of American investors.

We have adopted and maintained open investment policies because they serve our national interest. Open investment flows advance U.S. economic efficiency, promote economic growth, strengthen U.S. industrial competitiveness, and foster higher living standards for all Americans.

The United States recognizes only one exception to an open investment policy. The Administration is prepared to review and, in exceptional cases, to restrict foreign investments which pose a direct threat to U.S. national security. This exception is the so-called Exon-Florio provision of the 1988 Trade Act.

Consistent with the Administration's approach to foreign direct investment in the United States, we have aggressively sought to liberalize closed investment regimes abroad. Many foreign governments maintain investment barriers. We believe that it is in their interest, and in the interest of all nations, if such barriers are removed.

#### The Global Economy

There is increasing recognition worldwide that restrictive trade and investment policies are ultimately self-defeating and undermine a nation's technological and commercial position. This is because we now live in a truly global economy.

One of the most important post-World War II achievements was the creation of an open international trading system under the auspices of the General Agreement on Tariffs and Trade.

In eight successive GATT rounds, the average tariff in industrialized nations has been slashed from over 60 percent to under 5 percent. Since 1950, world trade has grown 40-fold, from \$70 billion to more than \$3 trillion. World trade has grown at a rate of 6.2 percent annually, compared to 4.1 percent annual growth for the world economy.

The open trading system, moreover, has provided the foundation for expanding other forms of international economic activity. While trade in goods traditionally has been the principal medium of international exchange, this is increasingly less true. Other forms of exchange are growing at even faster rates.

In the last decade, cross-border investment flows rose tremendously. The GATT estimates that from 1983-89 the flow of foreign direct investment worldwide increased at an annual rate of 34 percent, nearly four times as fast as the growth in merchandise trade. In 1950, combined direct and portfolio investment in the United States amounted to \$9.7 billion. By 1990, foreign investment in this country exceeded \$1.7 trillion.

#### The Temptation of Economic Isolationism

While the United States has adhered to open trade and investment policies since the mid-1930s, the 1980s saw numerous efforts to challenge economic orthodoxy. The Gephardt Amendment sought to compel nations to reduce bilateral trade surpluses with the United States under the threat of U.S. trade retaliation. More recent proposals call for expanded restrictions on foreign investment, particularly in high



technology industries. Other Congressional proposals call for extreme forms of trade and investment reciprocity.

While these new proposals reflect the tensions generated by economic change, the shift toward a global economy means that economic isolationism has become increasingly untenable as a national strategy.

Since the 1930s, the idea has persisted in some quarters that the best way to preserve U.S. jobs and living standards is to restrict foreign trade and investment, and to attempt to wall off the U.S. economy from international competition.

The consumer costs of protectionism are well known. Last year, for example, the President vetoed a congressional textile quota bill that would have increased the cost of trade restrictions on clothing and shoes for the average American family to about \$2,600 over a five-year period.

Aside from their consumer costs, however, traditional trade and investment restrictions have become increasingly difficult to implement in an open and integrated global economy. For example:

- Faced with high tariffs or quotas, a multinational company now has the option of opening local assembly plants to serve a protected market. The controversies over screwdriver assembly plants show the relative ease of relocating production facilities to circumvent trade barriers.
- Protection of certain industries can drive others offshore or make them uncompetitive internationally. For example, it now seems likely that the principal effect of imposing U.S. antidumping duties on certain flat panel displays will be to drive U.S. laptop computer production offshore.
- Given the growing importance of international capital, cutting a U.S. industry off from foreign direct investment may not assure U.S. ownership. In many Exxon-Florio cases involving acquisitions of U.S. high-technology companies, the companies had turned to foreign investors because of they had been unable to raise money domestically. Thus, the alternative to foreign investment was bankruptcy and loss of the technology.

The more interesting question is why some believe that such ideas will have broad political appeal. Despite persistent predictions that "economic nationalism" would be a dominant political theme of the 1980s and (this having failed to come to pass) now of the 1990s, the issue has never captured



the imagination of the public at large. The principal reason is that such proposals often are an assault on the jobs and checkbooks of many Americans.

Far from saving jobs, for example, restrictions on foreign investment are a direct threat to the livelihoods of millions of Americans:

- In 1990, foreign-owned U.S. companies employed nearly 3.2 million Americans;
- Foreign-owned U.S. affiliates accounted for 7 percent of U.S. manufacturing jobs; and
- Foreign investors paid about \$80 billion in U.S. wages.

In short, legislation to discourage foreign investment, or cut off inflows of foreign capital is a threat to high-wage U.S. manufacturing employment.

#### National Security

Given the economic deficiencies of straightforward trade and investment restrictions, advocates of economic nationalism increasingly frame their arguments in terms of protecting "national security." An important issue is how to define "national security" in investment policy.

There is an obvious risk that a "national security" exception can swallow an open investment policy. National security is a highly malleable concept and means different things to different people.

In implementing the Exon-Florio provision, the Administration has taken seriously statements by the drafters of the law that Exon-Florio was not intended to create barriers to foreign investment. In particular, the Committee on Foreign Investment in the United States (CFIUS), which is responsible for administering Exon-Florio, has insisted on credible evidence of a direct threat to U.S. military security. We have not chosen to use Exon-Florio as an all-purpose excuse to restrict investment in the U.S. high-technology sector. To date, the President has disapproved one investment, although several other transactions have been voluntarily withdrawn or restructured in order to address security concerns.

Some, however, have criticized the Administration's approach to Exon-Florio as too cautious. Legislation has been introduced to expand the definition of "national security" to include "technological" and "economic" security to prevent foreigners from targeting the U.S. high-technology sector.

The Administration has strongly opposed congressional efforts to expand Exon-Florio to prevent foreign companies from investing in U.S. high technology on the ground that such barriers would be highly counterproductive. The United States, like all nations, has much to gain from the free flow of technology and research. No nation has a monopoly on scientific and technological innovation. Such restrictions risk undermining the U.S. technology base by cutting us off from innovations and ideas developed abroad.

One of the most fascinating and instructive economic experiments of modern times has been Brazil's "informatics policy." In the late 1960s, the Brazilian military correctly perceived that computers would be a key future technology. The military government concluded it was essential that Brazil develop an indigenous computer capacity. Accordingly, they launched a sweeping policy to foster a Brazilian computer industry. The informatics policy had several dimensions. First, Brazil prohibited imports of semiconductors and computers, and any product containing semiconductor or computer technology. Second, it prohibited foreign investment in the Brazilian computer sector. Third, it created an informatics directorate to manage the development of a Brazilian computer industry.

By 1990, the flaws in the policy were apparent:

- Brazilian consumers pay anywhere from 200 percent to 500 percent more for computers than a comparable computer in the U.S.;
- Brazilian information processing technology is nearly a decade behind;
- The Brazilian computer industry consists of small companies most of whom are incapable of funding large amounts of research and development, and thus depend on copying foreign technology;
- Brazilian manufacturing productivity has fallen, in part because Brazilian industry has been deprived of computerized production technology; and
- Only one-half of one percent of Brazilian schools have computers, compared to 96 percent in the U.S. A generation of Brazilian schoolchildren have been deprived of computer training.

The informatics experiment suggests that restrictive policies ultimately undermine a nation's security, technological competitiveness, and industrial base by closing



it off from innovations. Even a large nation like Brazil, with a major industrial base, a national commitment to the computer sector, and huge government subsidies, was unable to rely exclusively on home-grown technology and insulating itself from the world economy.

### Reciprocity

A third category of ideas advanced by economic nationalists focuses on extreme forms of reciprocity. While the original Gephardt amendment sought to eliminate bilateral trade imbalances by forcing foreign governments to restrict their exports, or by requiring the U.S. to restrict imports, the most recent version seeks to force the President to initiate Section 301 investigations of countries with trade surpluses, and leave him no choice but to retaliate if any protectionist barriers are not removed within one year.

All Americans share the goal of opening new markets for U.S. trade, services, and investment. Moreover, the President has demonstrated that he is fully prepared to use trade sanctions to force foreign governments to eliminate unfair trade barriers.

- The Super 301 statute itself is an effort to codify a 1985 Reagan Administration initiative, when it self-initiated section 301 cases against Japan, Brazil, and the Korea.
- In 1989, the President initiated Super 301 cases against Japan, Brazil, and India.
- We are currently reviewing potential section 301 cases against China, for its decision to raise barriers to U.S. market access.

In short, the President has not hesitated to use section 301 aggressively where appropriate.

The principal flaw of the latest Gephardt amendment is not its objective of opening new markets, but instead the mistaken belief that leadership consists of eliminating judgment.

The initiation of a section 301 investigation of a foreign unfair trade practice is a serious action. It sets in motion high-level negotiations with a foreign government. It signals that the United States believes that a foreign barrier is unfair and may violate international agreements, and that we are prepared to retaliate if negotiations are unsuccessful.

The imposition of retaliatory measures is an even more serious action, since it potentially risks a trade war.



Foreign governments can, and sometimes do, respond by imposing counter-sanctions against U.S. goods.

Given these realities, it seems foolish to restrict the President through rigid, automatic, and non-discretionary legislation, thereby eliminating the exercise of judgment.

The other major risk of non-discretionary legislation, of course, is that it is difficult to anticipate the future. With the decline in our trade deficit, for example, the United States is now running trade surpluses with several important trading partners, including the European Community. We have protectionist trade barriers, although fewer than most nations. It now seems likely that a Gephardt amendment could be invoked against us, particularly if our trade position continues to strengthen.

In short, while advocates of economic nationalism have mounted an interesting intellectual challenge to open trade and investment policies, it strikes me that they have failed to demonstrate that their approach would create jobs or improve U.S. technological competitiveness. Indeed, implementing many of their ideas would have precisely the opposite effect.

#### International Cooperation

Instead, the current situation calls for strengthening, not weakening, international economic cooperation. Such cooperation is particularly important as we seek to integrate the new democracies of Eastern Europe, Latin America, and Africa into the world economy.

These nations have moved decisively to embrace democracy and free markets. In recent weeks, we all have witnessed the astounding events in the Soviet Union.

But Latin America too is quietly emerging from a decade of economic stagnation. Democratic governments have been elected; the old dictatorships and military juntas have fallen. The old third world economic ideologies of state control and import substitution have given way to a newfound faith in markets, open trade, and private enterprise. Today, Latin American economic confidence is surging and flight capital is returning.

Africa is beginning to move toward democracy and economic reform, as the African people challenge longstanding tribal and military dictators and their legacy of economic inefficiency.

In completing the transformation to democracy and free markets, certain factors are crucial:

- The decisive implementation of fundamental free market economic reforms by the new democratic governments;
- Private investment capital from Europe, the United States, and Japan; and
- Free and fair access to Western markets for their goods and farm products.

An important issue is how to bring about necessary flows of foreign direct investment into the new democracies. This responsibility will fall to the United States, Europe, and Japan, who together account for 81 percent of the world's stock of outward foreign direct investment.

### Conclusion

Two years ago, who could have dreamed of a world changed so dramatically:

- Germany unified;
- The Cold War over;
- Eastern Europe freed; and
- The Soviet Union embracing democracy and free markets.

Today, in retrospect, Servan-Schreiber's fears of American domination seem seriously overstated:

- Europe is very much in charge of its economic destiny, with the "single market" initiative moving steadily toward completion in 1992 and proposals for monetary and political union under discussion;
- European companies are highly competitive in world markets and indeed are investing extensively abroad as part of global competition strategies; and
- The European operations of American-owned multinational companies, like IBM, Ford, and General Motors, have come to be regarded as basically European.

The lessons the past has to teach us are worth pondering.

- First, the world has benefited greatly from the leadership the United States and Europe have provided during the post World War II period. As was demonstrated in the Persian Gulf, this leadership is as needed today as ever before.



- Second, while the costs of leadership are substantial, the benefits are greater. The pursuit of principle often comes at a price. But it is a pursuit that is not only wise, but right.
- Finally, while the path of protectionism and embracing a mercantilist economic policy is often tempting, it is a path that does not lead anywhere worth going. The interrelatedness of the global economy has brought much benefit to all participating nations. Expanding trade in goods and services and facilitating the flow of investment and ideas is an urgent and central task for policymakers.

By good fortune and the sacrifices of past generations, we have been presented with an opportunity to create a new era of unparalleled peace and prosperity. We must join together -- Europe and the United States -- linked by the past, bound by our present partnership, and moving confidently to build a better future for all nations.



THE WHITE HOUSE

WASHINGTON

November 1, 1991

THE CHIEF of STAFF  
has seen

MEMORANDUM FOR JAMES A. BAKER III  
CARLA A. HILLS  
JOHN H. SUNUNU  
BRENT SCOWCROFT

FROM: ROGER B. PORTER *RBP*

SUBJECT: Meeting with Naomichi Suzuki, Former MITI Vice  
Minister

I recently was visited by former MITI Vice Minister Naomichi Suzuki, concerning the President's upcoming trip to Japan. Suzuki conveyed Prime Minister Miyazawa's interest in announcing a long-term vision of the U.S.-Japan relationship during the President's visit. A memorandum of conversation is attached.

Attachment

THE WHITE HOUSE

WASHINGTON

November 1, 1991

MEMORANDUM OF CONVERSATION

FROM: ROGER B. PORTER *RB*

SUBJECT: Meeting with Naomichi Suzuki

This memorandum reports on a November 1 meeting with former MITI Vice Minister Naomichi Suzuki.

Long-Term Vision

Minister Suzuki said that his request for a meeting was motivated by a recent discussion he had with Prime Minister-designate Miyazawa on the U.S.-Japanese relationship. During that discussion, Suzuki referred to two points I made during a meeting with him last year:

- It is important to have a long-term vision of the U.S.-Japanese relationship; and
- It is important to manage perception of the bilateral relationship in the United States and Japan.

In Suzuki's view, Miyazawa's experience in working directly for six former Prime Ministers has given him the best understanding of anyone in Japan of the U.S.-Japanese relationship. Miyazawa indicated that he would like to make an announcement of a long-term vision of the bilateral relationship during the President's visit. I did not comment on the suggestion.

Trip Themes

Concerning themes for the President's trip, I counseled Suzuki that it will be important to remember that the President will be addressing both an American and a Japanese audience. To his American audience, he will emphasize that future U.S. prosperity depends on active and competitive U.S. participation in the international economy, and that U.S. businessmen should take advantage of opportunities that exist in markets in Japan and other parts of Asia. My own view was that the visit created a good opportunity for the two leaders to:

- Commit to maintaining a strong U.S.-Japan relationship, in the interest of a growing world economy;
- Cement an understanding on the importance of the Uruguay Round;

- Endorse early progress on autos and auto parts; and
- Support continuation of the Structural Impediments Initiative process

The upcoming visits of secretary Baker and Ambassador Hills will help define these themes before the President's visit.

#### The Uruguay Round

I told Suzuki that, while ongoing developments in the Uruguay Round make it impossible to predict precisely how the issue should be handled during the President's visit, it will be important to endorse a successful Round. For Japan, this means opening the rice market. With regard to the ongoing debate over tariffication of rice barriers, I cautioned against Prime Minister Miyazawa taking a firm public position opposing tariffication. This would only create pressure for the President to endorse tariffication for rice. It would be better, in our view, to allow our negotiators time to explore ways of handling the tariffication issue.

Suzuki agreed that it is important that the U.S. and Japan show political support for the Uruguay Round, especially in the wake of recent shifts in Europe. He added that, while Japanese politicians understand the importance of rice, the changes involved in forming a new government will complicate the process of creating a consensus within the LDP. While Uruguay Round negotiators are discussing tariffication, the LDP will need to decide its position. Suzuki cautioned that pushing Miyazawa too hard and too fast on rice could result in the wrong answer being given.



THE WHITE HOUSE  
WASHINGTON

**TO:** Governor Sununu

**FROM: ROGER B. PORTER**  
**Assistant to the President**  
**for Economic and**  
**Domestic Policy**

I thought you would find this memo by  
Larry Lindsey of interest.

THE CHIEF of STAFF  
has seen

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| 03. Memo                 | From Larry Lindsey to Roger Porter<br>Re: Barron's Article on Employment Data (1 pp.) | 10/29/91 | <del>P-5</del> |        |

**Collection:**

**Record Group:** Bush Presidential Records  
**Office:** Chief of Staff to the President, Office of the  
**Series:** Sununu, John, Files  
**Subseries:** White House Offices File  
**WHORM Cat.:**  
**File Location:** Policy Development  
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| <b>FOIA/SYS Case #:</b> 1998-0004-F[2] | <b>Appeal Case #:</b>          |
| <b>Re-review Case #:</b> 2005-0426-S   | <b>Appeal Disposition:</b>     |
| <b>P-2/P-5 Review Case #:</b>          | <b>Disposition Date:</b>       |
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(b)(9) Release would disclose geological or geophysical information

THE WHITE HOUSE

WASHINGTON

October 29, 1991

MEMORANDUM FOR ROGER B. PORTER

FROM: LARRY LINDSEY

SUBJECT: Barron's Article on Employment Data

Last weekend's Barron's ran an article which cast doubt on the validity of the employment data collected by the Commerce Department. The article essentially accused Secretary Mosbacher of having ordered a coverup in order to make the employment situation look better than it truly is. This memorandum considers this issue.

Barron's notes that employment tax data now being reported for the first quarter in a number of states, notably California, suggest that employment has been seriously overstated by the Commerce Department. For example, the data for California suggest an overstatement of more than 400,000 jobs. Barron's cites an unnamed Labor Department official as well as a career civil servant in the Treasury Department as having suggested something is amiss. It implies a coverup directed by Secretary Mosbacher, who the article notes, is about to become President Bush's campaign manager.

The political allegations in the story have no basis in fact. In a private conversation yesterday, Janet Norwood informed me that standard statistical procedures were being followed. She said that revisions usually take place after data from the second quarter becomes available. The first quarter numbers, taken alone, are often outliers as states and businesses often use the start of the year to purge their records. She also said that recent state budget cuts may have adversely affected the quality of the data.

From an economic perspective, it is quite likely that the data will turn out to be somewhat weaker than what was reported, but the magnitude reported in the Barron's piece is unlikely to be borne out. Three conclusions should be drawn from this experience:

- o The recession was probably deeper than what we thought.
- o Conspiracy theories will abound -- we need to be utterly beyond reproach in our behavior.
- o The need for improved economic data is indisputable.

AGREE



# Politically Correct Data?

## The Case of the Disappearing Disappearing Jobs

By JOHN LISCIO

**L**AST Tuesday morning at nine, the Commerce Department released the State Personal Income numbers. No wire service bothered to cover the release. No press account appeared in the next day's papers. The data, after all, were cold, dating back to the first

quarter. But Ray Stone of Princeton-based Stone & McCarthy Research Associates was keenly interested. New York and California had found 511,000 fewer jobs than they had initially estimated in the first quarter, so the personal income numbers by state should have

shown a sizable downward revision. That would give Stone an idea of how many jobs the Department of Labor officials would subtract when they do their benchmark revisions next May. It also would give him an idea of how the Department might temper the assumptions it

makes about employment growth in the months ahead.

But there was another reason Stone wanted to see the report, a far more troubling one. A few weeks back, a Bureau of Labor Statistics staffer told him that any job losses experienced by New York, Cali-

fornia and other states would probably not be reflected in the income report. Why not? Because the slightest appearance of a weaker labor market would be too much of an embarrassment to the President, who vetoed the unemployment extension bill.

A little background is necessary: Each month the BLS surveys about 37% of the employers in each state for its so-called 790 Series report. It releases the information, usually on the first Friday of every month. About six months later, the hard data, which cover more than 98% of the employee universe, come in from the states. This is called the ES202 series, and it's what the Bureau of Economic Analysis at Commerce uses to update the assumptions it made on income and consumption, the very warp and woof of the GNP report. Obviously, if there are fewer people working than BEA thought, then there has to be less income than they assumed, and weaker economic growth. When Commerce did this exercise for 1989, for example, it found that a poor job count had caused it to overestimate personal income by some \$59 billion.

But BEA didn't use the comprehensive ES202 series this time. And, despite those big downward revisions in New York and California jobs—revisions that alone should have subtracted some \$15 billion in income—BEA left unchanged the level of personal income in the first quarter. "We didn't use the data on California and New York because BLS is still reviewing it," explains Robert Parker, BEA associate director. The BLS is holding up the work-

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time. And, despite those big downward revisions in New York and California jobs—revisions that alone should have subtracted some \$15 billion in income—BEA left unchanged the level of personal income in the first quarter. "We didn't use the data on California and New York because BLS is still reviewing it," explains Robert Parker, BEA associate director. The BLS is holding up the works because officials there are worried about the massive 373,000 downward revision in non-farm payrolls in the Golden State. "If the California numbers hold up, it's a very unusual revision," says George Werking, chief of the division of monthly industry employment statistics at BLS. "That's why there is disbelief. It's two times larger than what's ever been seen. Were there really that many employers out there that turned out the lights?"

Bureaucrats, of course, don't like making big revisions. It looks bad. And no one ever got to be chief bean counter by making himself look bad. With California, it's a double whammy, because updated data have almost always added jobs—lots of them. And that, of course, looks good. So, it may be no coincidence that almost anyone you talk to at BLS or BEA attempts to discredit California's ES202 report. Even though the job count is perfectly consistent with personal income-tax collections and sales-tax receipts. The disbelief extends all the way to the Federal Reserve Bank of San Francisco. Brian Cromwell, one of the regional economists who briefs San Francisco Fed President Robert Parry before each meeting of the Federal Open

*Continued on Page 52*

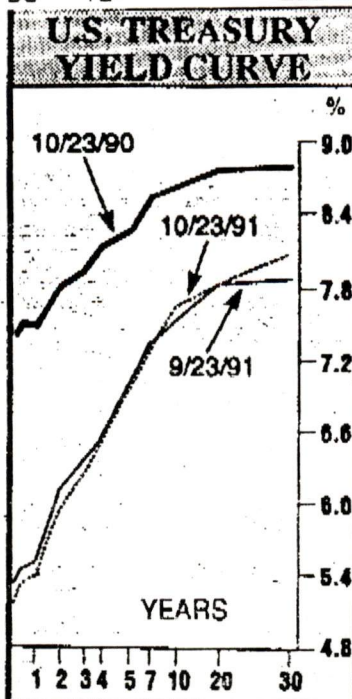


well they might be. The markets, meanwhile, remain concerned about what lengths they'll go to buy votes.

One worry was that monetary policy would be less likely to be loosened if fiscal measures were taken. After all, Alan Greenspan last year held up an easing move until a deficit-reduction package was hammered out. Alternatively, if lower interest rates were deemed to be impotent in stimulating a recovery, interest rates might not be lowered further.

Such notions are simplistic, however. The markets and the economy are likely to have problems with the timing of tax changes, contends Martin Barnes, editor of Interest Rate Forecast, a publication of the Bank Credit Analyst.

"Little time remains in the current session to agree on a new



Barron's / Knight-Ridder Tradecenter

In recent months, the Fed has avoided easing in response to the employment numbers, which are coincident-to-lagging indicators of the economy. The monetary authorities have tied their moves to low inflation and money-supply numbers. They also continue to monitor the markets, specifically the dollar, commodities and gold, and the yield curve, for their assessment of monetary policy. The markets recently have given no-confidence votes (although the dollar firmed and gold eased last week).

The Fed has been signaling unambiguously that policy is on hold, as indicated by an unchanged federal funds target of 5¼%. The central bank has had to drain reserves repeatedly to hold up the key rate, however. But the Fed may relent if the data are weak enough.

## Politically?

Continued from Page 22

Market Committee, told *Barron's* that the San Francisco Fed still believes the original 790 report, which surveyed a much smaller universe but counted 373,000 more jobs.

Does anyone in government care? Joel Platt does. He's a tax analyst at Treasury who recently visited officials in New York, California and other states. They say Platt told them that what was happening in their states wasn't an isolated phenomenon. Tax collections were coming in below expectations on the federal level as well, because of similar problems in New Jersey, Connecticut, Massachusetts, Georgia and Florida. And it didn't stop with the first quarter. Collections fell behind schedule again in June, and with an even greater vengeance in September and October. (Platt told *Barron's* he could not comment.)

Parker and Werking flatly deny there was any political motivation for not including the ES202 data in the state income report. But, in addition to being Commerce Secretary, Robert Mossbacher is slated to direct Bush's reelection campaign.

Back in the real world, last week's report of a 3.2% decline

in durable-goods orders means that nearly two-thirds of July's much-ballyhooed record jump has been wiped out. The Fed's own report of business conditions, the so-called Beige Book, described the economy as "weak or growing slowly," noting that retail sales were sluggish and industrial production was faltering. (Interestingly enough, conditions in the San Francisco area were the worst in the 12 districts.) Cars continue to be sold at an anemic pace. Existing home sales fell a sharp 4.3% in September. And the latest poll by a housing trade association showed that customer traffic has slowed to levels not seen since January, when the shooting war in the Gulf started and mortgage rates were 1½ points higher. "To have the lowest mortgage rates in 14 years and still have very few people looking at houses is very disturbing," laments Michael Carliner, economist at the National Association of Homebuilders.

The FDIC, in what has become a chilling replay of the S&L fiasco, once again raised the estimate of the money it expects to lose. It tripled the last guess, which was double the one before that. Separately, the executive director of the Pension Benefit Guaranty Corp. said the agency faced soaring losses and liabilities.

Back on the employment

front, jobless claims jumped 29,000, to 452,000, in the latest week, a five-month high, while continuing claims soared 89,000. As of Oct. 23, U.S. companies had announced 47,654 permanent layoffs, making the fourth quarter a virtual cinch to eclipse the record 147,507 cuts announced last quarter. What's most alarming about these announcements is that they have been expanding at a much faster pace than initial jobless claims. Those claims drew a lot of attention last week because they have risen 50,000 in the past four months. But companies have announced nearly 200,000 permanent layoffs. Those numbers haven't shown up in the weekly government stats yet because many of those announced layoffs have yet to kick in.

A slew of polls were released last week. No less than 86% of the people contacted by USA Today said the nation was still in recession. An ABC/Money Magazine survey found consumer confidence at a record low. And only 19% of the people polled by the New York Times felt they were better off now than they were in 1986. It's no wonder. Yearly benchmark revisions to the employment data found there were one million fewer jobs than were originally reported in the last five years.

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# Withdrawal/Redaction Sheet

## (George Bush Library)

| Document No.<br>and Type | Subject/Title of Document                                       | Date     | Restriction       | Class. |
|--------------------------|-----------------------------------------------------------------|----------|-------------------|--------|
| 04. Memo                 | From Roger Porter to John Sununu<br>Re: ITC Nominations (3 pp.) | 10/23/91 | <del>P2, P5</del> |        |

**Collection:**

**Record Group:** Bush Presidential Records  
**Office:** Chief of Staff to the President, Office of the  
**Series:** Sununu, John, Files  
**Subseries:** White House Offices File  
**WHORM Cat.:**  
**File Location:** Policy Development  
(Porter) (1991) [1]

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

|                                        |                                |
|----------------------------------------|--------------------------------|
| <b>Date Closed:</b> 12/28/2004         | <b>OA/ID Number:</b> 29181-004 |
| <b>FOIA/SYS Case #:</b> 1998-0004-F[2] | <b>Appeal Case #:</b>          |
| <b>Re-review Case #:</b> 2005-0426-S   | <b>Appeal Disposition:</b>     |
| <b>P-2/P-5 Review Case #:</b>          | <b>Disposition Date:</b>       |
| <b>AR Case #:</b>                      | <b>MR Case #:</b>              |
| <b>AR Disposition:</b>                 | <b>MR Disposition:</b>         |
| <b>AR Disposition Date:</b>            | <b>MR Disposition Date:</b>    |

### RESTRICTION CODES

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

P-1 National Security Classified Information [(a)(1) of the PRA]  
P-2 Relating to the appointment to Federal office [(a)(2) of the PRA]  
P-3 Release would violate a Federal statute [(a)(3) of the PRA]  
P-4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]  
P-5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA]  
P-6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

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

## THE WHITE HOUSE

WASHINGTON

October 23, 1991

MEMORANDUM FOR GOVERNOR SUNUNU

FROM: ROGER B. PORTER *ABP*

SUBJECT: ITC Nominations

THE CHIEF OF STAFF  
has seen

We have negotiated an agreement with the Senate Finance Committee to break the longstanding deadlock on nominations to the U.S. International Trade Commission (ITC). We are working with the Committee on statutory language to implement the agreement, and expect a draft to be ready shortly. Assuming the draft bill is acceptable, I plan to call Senator Bentsen to confirm that there is an agreement. Presidential Personnel and Legislative Affairs participated fully in the negotiations and support the compromise.

As you know, the nominations of Carol Crawford and Janet Nuzum to the ITC have been delayed by Senator Bentsen's objections to our failure to designate an ITC Chairman for the 1990-92 term, when the Chairmanship was scheduled by law to rotate to the Democrats.

In July, you reached a tentative agreement with Senator Bentsen. In return for action on the nominations, it was agreed that: (1) Don Newquist (a Democrat originally chosen by Bentsen) would be designated Chairman for three years, and (2) the Administration and Finance Committee would agree on legislation to automatically designate the senior Democrat or Republican as acting Chairman if no Chairman is appointed.

While wrapping up the details proved more complicated than expected, agreement was reached this morning as follows:

- Eliminate the rule that the two most junior Commissioners are ineligible for the ITC Chairmanship. This change is necessary to designate Newquist as Chairman, since he is now ineligible. (The amendment also eliminates a constraint on the President's appointment authority and increases his flexibility to choose future ITC Chairmen.)
- Enact a new rule that a commissioner must have one year's experience before being designated Chairman. The rule will not apply until 1996 to address Rostenkowski's interest in ensuring that Janet Nuzum, a Ways and Means trade staffer, be eligible for the Chairmanship if Newquist resigns early. (This delay



means that the President will not be subject to any constraints in 1992 and 1994.)

The Finance Committee will move forward with the pending Crawford and Nuzum nominations, and will not delay a Republican nomination that is going forward shortly. In addition, the Committee is scheduling a hearing next week on Mike Moskow's nomination as Deputy USTR. This should satisfy Carla Hills who is eager to have Moskow confirmed.

## ITC LEGISLATION

1. Replace junior member rule with new eligibility requirement for chairman: President may not designate as the chairman of the Commission any commissioner who has not served at least one year as a member of the Commission. This provision is effective for the term beginning June 16, 1996. Current junior member rule is suspended for terms beginning June 16, 1990, June 16, 1992 and June 16, 1994.

2. Legislation provides that a Democrat will be appointed chairman for the term beginning June 16, 1992, as in current legislative proposal.

3. Procedure for interim chairman if the President fails to designate a chairman as of the date on which a term begins is as drafted in the current legislative proposal.



## THE WHITE HOUSE

WASHINGTON

October 21, 1991

THE CHIEF of STAFF  
has seen

MEMORANDUM FOR GOVERNOR SUNUNU

FROM: LARRY LINDSEY  
TIM ADAMS

SUBJECT: Extended Unemployment Compensation Legislation

House Democratic leaders are expected to bring to the floor this week a stripped-down, budget neutral version of extended unemployment benefits legislation. The latest bill (HR.3575), introduced last week by Congressmen Rostenkowski and Downey, will be marked up by the Ways and Means Committee tomorrow, paving the way for action on the House floor later in the week.

Like the Dole proposal (S.1791), the new House measure provides revenue offsets, rather than designating the spending as an emergency. The bill has an estimated cost of \$5.3 billion, which is \$1.1 billion less than the bill vetoed by the President. Offsets would be provided by extending the 0.2 percent federal unemployment insurance surtax for one year, through 1996, and raising the federal unemployment taxable wage base from the current level of \$7,000 to \$7,700. It would also make permanent existing provisions relating to the collection of non-tax debts owed to federal agencies, which is currently set to expire at the end of 1993.

HR.3575, also like the Dole plan, would provide two tiers of benefits, rather than three as proposed in earlier versions. It would provide a maximum of 13 weeks of additional benefits in states in which the average unemployment rate is 7 percent or higher and up to an additional seven weeks in all other states. The last Democratic proposal (S.1722) would have provided up to 20 weeks of extra benefits, while the Dole plan would provide an additional 10 weeks.

In the Senate, discussions are still underway among Democratic leaders, and it is not yet clear whether Senate Democrats would support the House bill, or if Senator Bentsen will have a plan of his own. It is reported that Bentsen wants a bill that is paid for, rather than relying on an emergency spending designation.

Subject: Newspaper article on increase in the number of new Federal civilian employees for FY 1992.

- o The Boston Globe reported on Mayor Flynn's contention that "federal cuts to cities and affordable housing programs have been accompanied by growth in the federal bureaucracy, citing President Bush's request to Congress for 23,111 new federal employees in the past year."

• Where did the 23,111 figure come from?

- o +23,111 is the difference between the FY 1991 and FY 1992 ceiling levels for full time equivalent (FTE) employment in civilian agencies (excluding civilians employed in DoD military functions and Postal Service). See, President's FY 1992 Budget, Table C-1, Part Four, page 201 (attached).
- o Summary figures in Table C-1 provide the following Federal civilian employment estimates:

|                   | FY 1991<br>estimate | FY 1992<br>estimate | Difference<br>1991-1992 |
|-------------------|---------------------|---------------------|-------------------------|
| Civilian agencies | 1,146,534           | 1,169,645           | +23,111                 |
| DoD Civilians     | 984,297             | 942,184             | -42,113                 |
| Subtotal          | 2,130,831           | 2,111,829           | -19,002                 |

- o The newspaper article fails to mention the corresponding reduction of 42,113 civilians employed in DoD military functions listed in the same table. When taken into account, total civilian FTE for FY 1992 decreases by 19,002.

• Which agencies projected FTE increases for FY 1992?

- o Three agencies account for nearly 60% of the FTE increase in civilian agencies for FY 1992:

|          |         |         |   |        |
|----------|---------|---------|---|--------|
| Justice  | + 7,393 | (32.0%) | } |        |
| HHS      | + 3,378 | (14.6)  | } | 59.0%  |
| DOT      | + 2,869 | (12.4)  | } |        |
| USDA     | + 1,640 | ( 7.1)  | } |        |
| Treasury | + 1,246 | ( 5.4)  | } | 17.7%  |
| VA       | + 1,194 | ( 5.2)  | } |        |
| Other    | + 5,391 | (23.3)  | } | 23.3%  |
| TOTAL    | +23,111 |         | } | 100.0% |

August 14, 1991



## XII.C. FEDERAL EMPLOYMENT

This chapter discusses civilian employment in the Executive Branch and the employment ceilings used to control unnecessary growth in the number of personnel. It also deals with personnel compensation and benefits and compares the Federal workforce with other government employment, as well as with United States population data.

been exempted by law from full-time equivalent controls.

Table C-1 is a tabulation of full-time equivalent employment levels for the major agencies of the executive branch. The estimates for 1991, 1992, and 1993 constitute upper limits on agency FTE employment for agencies subject to FTE controls.

### FULL-TIME EQUIVALENT OF TOTAL FEDERAL CIVILIAN EMPLOYMENT IN THE EXECUTIVE BRANCH

Civilian employment in the executive branch is controlled on a full-time equivalent (FTE) or workyear basis. Postal Service and Department of Defense employment, and some Veterans Affairs employees, have

### SIGNIFICANT CHANGES IN FULL-TIME EQUIVALENT EMPLOYMENT

Civilian agency FTE employment is expected to decrease by nearly 22,800 during 1991, and then to increase by about 23,100 during 1992. Most of the 1991 activity will take place in the Department of Commerce, which will be phasing out temporary employees at the

Table C-1. FULL TIME EQUIVALENT OF FEDERAL CIVILIAN EMPLOYMENT<sup>1</sup>

| Agency                                              | Fiscal Year              |                  |                  |                  | Difference<br>1991-92 |
|-----------------------------------------------------|--------------------------|------------------|------------------|------------------|-----------------------|
|                                                     | 1990 actual <sup>2</sup> | 1991 estimate    | 1992 estimate    | 1993 estimate    |                       |
| Agriculture .....                                   | 110,755                  | 109,762          | 111,402          | 111,402          | 1,640                 |
| Commerce .....                                      | 87,756                   | 34,858           | 35,440           | 36,872           | 582                   |
| Defense—civil functions .....                       | 28,259                   | 28,007           | 27,944           | 27,757           | -63                   |
| Education .....                                     | 4,596                    | 4,735            | 4,927            | 4,934            | 192                   |
| Energy .....                                        | 16,815                   | 17,965           | 18,330           | 18,330           | 365                   |
| Health and Human Services .....                     | 117,817                  | 121,725          | 125,103          | 125,103          | 3,378                 |
| Housing and Urban Development .....                 | 13,264                   | 13,998           | 14,250           | 14,250           | 252                   |
| Interior .....                                      | 71,233                   | 73,910           | 74,491           | 74,491           | 581                   |
| Justice .....                                       | 79,082                   | 88,843           | 96,236           | 100,110          | 7,393                 |
| Labor .....                                         | 18,050                   | 18,352           | 18,628           | 18,650           | 276                   |
| State .....                                         | 25,633                   | 26,164           | 26,458           | 26,533           | 294                   |
| Transportation .....                                | 64,863                   | 67,740           | 70,609           | 71,426           | 2,869                 |
| Treasury .....                                      | 155,931                  | 155,643          | 156,889          | 158,330          | 1,246                 |
| Veterans Affairs .....                              | 214,040                  | 216,944          | 218,138          | 217,023          | 1,194                 |
| Environmental Protection Agency .....               | 15,155                   | 16,781           | 17,621           | 17,621           | 840                   |
| National Aeronautics and Space Administration ..... | 23,829                   | 24,197           | 25,032           | 25,529           | 835                   |
| Other:                                              |                          |                  |                  |                  |                       |
| Agency For International Development .....          | 4,526                    | 4,580            | 4,562            | 4,512            | -18                   |
| General Services Administration .....               | 19,447                   | 19,717           | 19,989           | 19,989           | 272                   |
| Nuclear Regulatory Commission .....                 | 3,188                    | 3,240            | 3,335            | 3,335            | 95                    |
| Office of Personnel Management .....                | 5,702                    | 6,088            | 6,202            | 6,202            | 114                   |
| Panama Canal Commission .....                       | 8,293                    | 8,603            | 8,603            | 8,603            | .....                 |
| Small Business Administration .....                 | 5,316                    | 4,009            | 4,223            | 4,223            | 214                   |
| Tennessee Valley Authority .....                    | 23,716                   | 25,000           | 25,000           | 25,000           | .....                 |
| United States Information Agency .....              | 8,598                    | 8,625            | 8,618            | 8,641            | -7                    |
| Miscellaneous .....                                 | 43,506                   | 47,048           | 47,615           | 47,590           | 567                   |
| <b>Civilian agency employment .....</b>             | <b>1,169,370</b>         | <b>1,146,534</b> | <b>1,169,645</b> | <b>1,176,456</b> | <b>23,111</b>         |
| Defense—military functions <sup>3</sup> .....       | 1,021,163                | 984,297          | 942,184          | 904,881          | -42,113               |
| <b>Subtotal .....</b>                               | <b>2,190,533</b>         | <b>2,130,831</b> | <b>2,111,829</b> | <b>2,081,337</b> | <b>-19,002</b>        |
| Postal Service Employment <sup>4</sup> .....        | 789,166                  | 782,131          | 775,321          | 775,321          | -6,810                |
| <b>Total, Executive Branch .....</b>                | <b>2,979,699</b>         | <b>2,912,962</b> | <b>2,887,150</b> | <b>2,856,658</b> | <b>-25,812</b>        |

<sup>1</sup>Excludes developmental positions under the Worker-Trainee Opportunity Program; participants in the Cooperative Education Program; disadvantaged and part-time workers under such Office of Personnel Management programs as Summer Aids, stay-in-school, and junior fellowship; and certain statutory exemptions.

<sup>2</sup>Data are estimated for portions of Defense-Civil Functions as well as for the Federal Reserve System, Board of Governors and the International Trade Commission.

<sup>3</sup>By law (10 U.S.C., Chapter 4, section 140b), the Department of Defense is exempt from full-time equivalent employment controls. Data shown are estimated.

<sup>4</sup>Includes the Postal Rate Commission.

THE WHITE HOUSE  
WASHINGTON

Date: 8/13

TO: JIM MURR

FROM: **JOHN S. GARDNER**  
**Special Assistant to the President**  
**and Assistant Staff Secretary**

It strikes me that this must  
be some derivative figure from  
the Budget, though I don't know  
how he got the figure.

Could you please ask OMB to  
verify/refute this and get  
back to Phil?

Thanks.





**Walker's Point  
Kennebunkport, Maine**

August 12, 1991

NOTE TO PHIL BRADY

FROM: Linda Casey

Phil, the President has asked that we get some information about the statement in this article about his "request to Congress for 23,111 new federal employees in the past year."

He'd like a report on this within the next ten days, please.

cc: John Sununu

# Roes dubious on Flynn's debate OK

## ■ CANDIDATES

Continued from Page 17

nounced his candidacy for a third term.

Ellis-Hagler said he confronted Flynn Saturday after an event at Malcolm X Park and asked whether he would be willing to debate. "He said, 'We'll have two or three,' but he didn't stand still long enough to say where," said Ellis-Hagler.

Flynn indicated Saturday he would attend a mayoral debate on Sept. 10 at Suffolk University, which both challengers said they plan to attend. But neither Ellis-Hagler nor Doherty had heard of a candidate forum sponsored by the Columbia-Savin Hill Civic Association, which Flynn mentioned as one of the debates he would attend.

Doherty said he would not consider a candidate forum, where the mayoral candidates would appear along with dozens of City Council candidates; as an acceptable substitute for a three-way mayoral debate.

John Demeter, a media consultant for Ellis-Hagler, said "Our concern is: Is the mayor being real about this, or looking for a plastic media appearance? If he's serious about it — as serious as he is about throwing his name around on the national and state stage — he would have his campaign staff sit down and thrash out details."

Doherty and Ellis-Hagler said there is no dearth of issues to discuss once they negotiate a debate format with Flynn.

Doherty said he would discuss the troubled Boston Police Department, a student assignment plan he criticized as chaotic, neighborhoods he characterized as unsafe, and what he described as an exodus of middle-class residents from the city.

"We've got to do more than just fix up playgrounds and install basketball hoops," said Doherty. "That's



AP PHOTO

Mayor Flynn marches in Bridgeport, Conn., yesterday between Bridgeport Mayor Mary Moran and Rev. Jesse L. Jackson. To Jackson's left are New York Mayor David Dinkins and labor leader Gerald McEtee.

## Flynn takes part in march dramatizing plight of cities

Mayor Flynn participated yesterday in a 54-mile march from Bridgeport, Conn., which emerged as a stark symbol of urban crisis when its mayor tried to declare bankruptcy two months ago, to the Connecticut state capital in Hartford.

The march was led by two-time presidential candidate Jesse Jackson, who has said he hopes the Bridgeport-to-Hartford march will focus national attention on the plight of American cities. Flynn has lately touted a "taking it to the streets" approach to the federal government and has called for a march on Washington next April 4.

[The march is scheduled to be completed by next Sunday, the Associated Press reported.]

In a statement, Flynn said Washington has displayed a "callous neglect of the people of urban America." He contended that federal cuts to cities and affordable housing programs have been accompanied by growth in the

federal bureaucracy, citing President Bush's request to Congress for 23,111 new federal employees in the past year.

"How does it happen that the responsibilities of the federal government are shrinking, the responsibilities of the cities are growing, and the cities are the ones being forced to make cuts?" Flynn demanded.

He called for a "renewed domestic agenda" to address the issues of jobs, education, and economic growth. Flynn urged passage of the surface transportation bill, which he said would revive the nation's sagging construction industry; full funding of the new \$2 billion "home" block grant, which he said would provide an economic stimulus to cities; and establishment of regional development authorities with tax-exempt financing authority, which could make venture capital available in "capital-starved areas such as New England."

DON AUCOIN



# Withdrawal/Redaction Sheet

## (George Bush Library)

| Document No.<br>and Type | Subject/Title of Document                                  | Date    | Restriction   | Class. |
|--------------------------|------------------------------------------------------------|---------|---------------|--------|
| 05. Memo                 | From Roger Porter to POTUS<br>Re: Multiculturalism (2 pp.) | 9/12/91 | <del>B5</del> |        |

**Collection:**

**Record Group:** Bush Presidential Records  
**Office:** Chief of Staff to the President, Office of the  
**Series:** Sununu, John, Files  
**Subseries:** White House Offices File  
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 (Porter) (1991) [1]

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 By JP (NLGB) on 4/21/08

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THE WHITE HOUSE  
WASHINGTON

September 12, 1991

91 SEP 13 P5:08

MEMORANDUM FOR THE PRESIDENT

FROM: ROGER B. PORTER *RBP*  
SUBJECT: Multiculturalism

THE CHIEF of STAFF  
has seen

Multiculturalism starts with the laudable goal of broadening awareness of all cultures. All too often, it ends with intolerance posing as tolerance.

These days, multiculturalism is a hot issue on college campuses. Its proponents seek to redesign curricula to de-emphasize DWEMs (Dead White European Males) and emphasize instead black, brown, gay, and female contributions to literature, politics, history, etc. For example, readings of Shakespeare, Milton, and Tennyson might be replaced by Zora Neale Hurston, Alice Walker, and Gabriel Garcia Marquez.

Multiculturalists argue that such a curriculum:

- gives students a more accurate account of history and a more balanced perspective in other studies;
- raises the self-esteem of gay, women and minority students by providing each group with role models and an understanding of its own cultural heritage; and
- increases the sensitivity of all students to issues of gender, sex and race.

The opening shots in the battle over multiculturalism were fired at Stanford in 1988, when a campus coalition, aided by outside activists (Jesse Jackson led a march on campus chanting "Hey ho, hey ho, Western civ has got to go!"), successfully pressured the school to alter its core humanities curriculum. Dartmouth and Duke are also among the colleges whose undergraduate curriculum incorporates at least some elements of multiculturalism. Smith College has resisted making such revisions.

The debate concerning the merits of multicultural curriculum has also reached elementary and secondary schools. According to press reports, several urban schools districts, including Baltimore, Atlanta, Indianapolis, Detroit, Washington, D.C., and Portland, Oregon have or plan to revise their curriculum to incorporate an "Afrocentric" perspective.



In New York, State Education Commissioner Thomas Sobol created a commission to study "reform" of public school textbooks. One adviser to the Commission Leonard Jeffries, the City College professor, openly proclaims the racial superiority of blacks. Jeffries recently gave an inflammatory speech in which he asserted that Jews have systematically oppressed blacks, from their alleged financing of the slave trade to their putative control of racist Hollywood studios. He specifically attacked Diane Ravitch, now Assistant Secretary of Education, in crudely anti-semitic terms.

This was too much for most liberals. Arthur Schlesinger Jr., a member of Commission, wrote a stinging dissent to its report warning that "pressed too far...[multiculturalism] rejects the historic American goals of assimilation and integration" and fosters ethnic partisanship. He has been strongly reinforced by the New York Times and The New Republic, among others.

Governor Cuomo has distanced himself from the Sobol Commission, publicly acknowledging its potential political fallout. A copy of a recent article by Cuomo on the report is attached. Sobol is reported to have rejected the most radical recommendations of a state education department curriculum committee and reaffirmed the central role of Western European thought and culture in New York's education curriculum.

Another controversy concerns the Columbus Quincentennial. Books and articles are pouring forth, many attacking Columbus as the original white racist imperialist oppressor of Third World peoples. Multiculturalists threaten to disrupt celebratory events planned for next year.

A strong backlash against multiculturalism is under way. Defenders of "the canon" of Western Civilization as diverse as Benno Schmidt, Bill Bennett, and the editorial page of The Wall Street Journal have scored points with moderate opinion by highlighting multicultural excesses.



Vol. 36, No. 1 September 1991

# BASIC EDUCATION

A Monthly Forum For Analysis & Comment

## WHAT'S WORTH KNOWING

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Mario Cuomo on  
Multiculturalism

---

Social Studies Textbooks  
In California

---

How Math Got  
Its Act Together



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# RESPONSE TO THE SOCIAL STUDIES COMMITTEE

by Mario M. Cuomo

**F**ew major policy dialogues are more in need of subtlety, sensitivity, and common sense than the current issue involving multicultural education. Regrettably, too much of the recent commentary has presented the matter as a choice between stark and extreme alternatives. The discussion needs more careful analysis, less hyperbole, and no pandering.

Indeed, for all of our differences over ideology, politics, and ethnicity, most Americans are not as far apart on the dry substance of multicultural education as many in the current debate imply. Between the extreme of using our educational system to foster an "ethnicity first" identity and the opposite extreme of denying any need for increasing our recognition of a stimulating diversity, is a wide area of generally accepted common ground and common sense. Most Americans can understand both the need to recognize and encourage an enriched diversity as well as the need to ensure that such a broadened multicultural perspective leads to unity and an enriched sense of what being an American is, and not to a destructive factionalism that would tear us apart.

To conduct a positive and constructive dialogue on multicultural education, we need to be vigilant in reminding ourselves that what is at stake here is not ideology or politics but the educational well-being of our children. If we let the issue break down into a battle between those seeking to impose their vision of some ideal curriculum, and political hitmen looking more for a hot-button issue than a way to promote both diversity and unity in our educational system, the losers will be our children and the larger community as well.

So we should be sure our discussion is guided by solid, positive principles. I believe I have some to offer, but before doing so, I wish to note my concern with

some ideas—or perceptions of ideas—in the recent Report of the New York State Social Studies Review and Development Committee. I mention "perceptions" because, indeed, many of the issues raised by the release of the Report reflect not clear policy statements in the Report, but nuanced interpretations and perceptions—some no doubt accurate, others perhaps strained—of the underlying goals and motivations of the Report.

To the extent that the Report is understood—or misunderstood—to play down the significance of a common American culture and system of values, then I think that it would be seriously flawed. Our nation celebrates our diversity, but it depends on all of the different parts agreeing on common values and ideas that tie us all together. At the core of all public education—including multicultural education—must be a clear understanding of this basic tenet.

I also wish to stress my concern that the worthy aims of multicultural education are being pushed to such

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***If we let this issue break  
down into a battle, the  
losers will be our children.***

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extremes that the casualty is common sense. For example, while all students will gain from inclusion of different ethnic perspectives, this ought not to become a rationale for denying the European influence on many of our fundamental and enduring institutions. And, while our teachers should seek to challenge our young people intellectually by forcing them to confront history from various perspectives, we ought not allow this goal to lead to a value-free orthodoxy which discourages our educators from striving for shared understandings of fundamental moments in our history. Nor should teaching our young people greater adaptive and analytical skills be at the expense of learning basic facts about our history or society.

\* \* \*

**H**aving noted these concerns, it nevertheless seems clear to me that we would do better in furthering a positive dialogue on this issue if we left the ideology, politics, and heated exchanges over isolated examples behind, and instead sought to develop some basic principles that would guide us in considering how our curriculum can honor our rich diversity while fostering unity and rejecting factionalism.



Our first guiding principle must be that we do not have to choose between fostering common American values and recognizing and encouraging an enriching diversity. I agree first and foremost with those who contend that the core of multicultural education—as with all public education—must be the fostering of common values and ideas that tie us together as a nation.

At the same time, I disagree with those who argue or suggest that the strength of ethnic identity is in some way opposed to a common understanding of what it means to be an American. The great beauty of our nation is that we have never forced people to choose between their heritage and their identity as an American. At our best, we have aggressively capitalized on diversity, the coming together of different people forming a new identity without losing the difference that makes each of these people special.

For two decades, I have used the same—now familiar—metaphor. At Jamaica High School in 1984, I said it this way:

We're not really a Melting Pot. We're not supposed to become exact replicas of one another, to jump into one great cauldron, get our differences boiled away, then pour the residue into forms that would create stereotypical new Americans. America is a mosaic, a pattern composed of pieces of varying shapes and colors and textures: different races, different cultures, different ethnic groups. Each a piece, each piece distinct, each unique, and each contributing to the magnificent creation of a totality greater than the sum of its individual parts, made beautiful not by the destruction of individuality but from the harmony of their coming together.

What holds us together as a nation is not the degree to which we forgo our differences or minimize our diversity, but rather the strength of our commitment to a powerful set of common American values and beliefs. These common American values and beliefs include our commitment to a special system of democracy that stresses equal justice, individual liberties, and the rule of law. Beyond our constitutional democracy, all of us are joined together by another set of common values intrinsic to the American spirit: a desire to create a better life for our children, a belief in the sanctity of the family, in upward mobility based on hard work and sacrifice, and in a free enterprise system that rewards energy and initiative, and yet includes the compassion to care for those too sick, or too old,

too young, or too unfortunate to care for themselves. The fact that many of us may have different views of the precise meaning of these values does not in any way negate the centrality of these values to the common American experience.

What seems to have been lost in this debate has been the fact that one of our most basic and powerful unifying values is diversity itself: the freedom to be different. Consider one of our most basic American values—freedom of religion. If difference or holding on to one's heritage were a threat to national unity, we would want to encourage all Americans to worship alike. We would strive to forgo the differences in being Catholic, Jewish, Protestant, or Muslim, in favor of some more generic form of American religion. How could we have a common American identity if we are all worshipping differently?

The answer, of course, is that it is not the degree of sameness that holds us together, but the strength of our commitment to the value of freedom of religion—a

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***When worthy aims are  
pushed to extremes, the  
casualty is common sense.***

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value and a constitutional liberty that finds its uniquely American character in its respect for diversity.

The same is true for another basic American value, free speech. What ties us together as a nation is not that we come to think alike on politics, but that we agree to live by and cherish a system that is envied the world over for its capacity not only to let people disagree peacefully, but to allow everyone to be enriched from the free exchange of different ideas and perspectives.

A second principle that should guide our consideration is the will to find understanding and harmony by reaching out to others. As I told that same Jamaica High School graduating class in 1984 and thousands of new citizens that I have had the honor of swearing in, the integrity of our mosaic does not depend on turning one's back on what you are. But it does depend on reaching out to all people who are different and while understanding their culture, respecting it, seeing the beauty in it, seeing that at root—beneath all of the variations—there are the same human needs and instincts. Seeing the need for loving one another because of that precious, God-given sameness—that shared humanity—that makes us brothers and sisters,



that makes us a family. From the earliest grades, it is this will to understand, this will to care, this will to see things from the perspective of others, that will determine whether education leads to an enriching diversity or a destructive factionalism.

A third guiding principle is that we should not see any conflict between promoting patriotism and an honest exploration of history. In the debate over multicultural education, some appear to assume that teaching a love of the country requires preaching to children a single sanitized account of our past, while others assume that letting our children debate the degree that we have not always lived up to our highest American ideals is somehow equivalent to blaming America or being down on our past. Neither is the case. Love of country—as with any type of love—calls for constructive caring, not unconditional acceptance of shortcomings. Teaching pride in our nation does not require blind acceptance of all we have done or a refusal to consider how some members of certain ethnic groups may have varying interpretations of different historical moments. Likewise, those who irrationally fear any education that calls for an examination of how well we have lived up to our ideals—or how great Americans were limited by being a product of their times—must have more confidence in both the overwhelming greatness of our nation and the common sense of even our schoolchildren. Nations, like individuals, grow through both pride in their past and a knowledge of how past actions departed from the nation's highest ideals. We must not get caught in what John Gardner once called the “savage crossfire between uncritical lovers and unloving critics.”

Finally, as I stated earlier, we must ensure that the interest of our young people, and not ideology or politics, serves as our guide in considering the need for more multicultural education. It would be a disgrace if this debate were reduced to a contest for our worst instincts, with one side claiming the other was not “American” enough, while the other returned fire charging that their accusers want to stamp out the heritage of the growing numbers of African-American, Hispanic, and Asian voters. This discussion should start and end with the educational interest of our children.

**Mario M. Cuomo is governor of New York. This statement was made July 10, 1991 in response to the Report of the New York State Social Studies Review and Development Committee on multicultural education.**

## POSSIBILITY AMID INDIGNATION

by Harriet Tyson

It has been several generations since anyone bothered to acquire a treasured schoolbook for a personal library, or since any schoolbook achieved enough status to rest on the shelves of public libraries. Houghton Mifflin's 1991, eight volume series of social studies books (for first- through eighth-graders in California) are likely to become happy memories for tens of thousands of California children, and library classics around the United States.

It remains to be seen whether Houghton Mifflin's books, which depart so dramatically from the dreary social studies books of recent decades, will establish a more elegant and contemporary pattern for other publishers to imitate, or whether the books are merely the result of a fleeting convergence of the stars in the firmament of the American textbook system.

With its 1987 History/Social Studies Framework, California asked publishers for the moon. It sent out a call for books that no other state would want—books that placed history and geography at the center of the curriculum, and that taught many more years of history (three years of world history, two of American history) and social studies than are typically offered in the other forty-nine states. It wanted books that made history (which most students think is unspeakably boring) exciting; that wove economics, demography, anthropology, and other social sciences into the fabric of history; that made geography (which seems to get swallowed up in the vast American forgettery) memorable; that tastefully integrated lessons on skills such as reading maps, interpreting and constructing charts and graphs, detecting bias, and weighing evidence. The framework called for an infusion of great stories, poems, legends, and biographies. The textbooks California dreamed of would tell truthfully the stories of the diverse peoples of the United States and their contributions to our nation, but at the same time, would explain richly the

THE WHITE HOUSE

WASHINGTON

August 19, 1991

MEMORANDUM FOR GOVERNOR SUNUNU

FROM: ROGER B. PORTER *RBP*

SUBJECT: HIV and Immigration

I am leaving early tomorrow morning for Seattle and the National Education Goals Panel meeting in the afternoon and then will catch a red-eye flight back arriving early Wednesday morning.

A memorandum on HIV and Immigration is attached. If you have any questions, and I am out of pocket, please call Hanns Kuttner (ext. 6563), who is familiar with the details of this issue.

See you when I get back.

Attachment



# Withdrawal/Redaction Sheet

## (George Bush Library)

| Document No.<br>and Type | Subject/Title of Document                                     | Date    | Restriction    | Class. |
|--------------------------|---------------------------------------------------------------|---------|----------------|--------|
| 06. Memo                 | From Roger Porter to POTUS<br>Re: HIV and Immigration (3 pp.) | 8/19/91 | <del>P-5</del> |        |

**Collection:**

**Record Group:** Bush Presidential Records  
**Office:** Chief of Staff to the President, Office of the  
**Series:** Sununu, John, Files  
**Subseries:** White House Offices File  
**WHORM Cat.:**  
**File Location:** Policy Development  
 (Porter) (1991) [1]

Open on Expiration of PRA  
 (Document Follows)  
 By JP (NLGB) on 4/21/08

|                               |                |                             |           |
|-------------------------------|----------------|-----------------------------|-----------|
| <b>Date Closed:</b>           | 12/28/2004     | <b>OA/ID Number:</b>        | 29181-004 |
| <b>FOIA/SYS Case #:</b>       | 1998-0004-F[2] | <b>Appeal Case #:</b>       |           |
| <b>Re-review Case #:</b>      | 2005-0426-S    | <b>Appeal Disposition:</b>  |           |
| <b>P-2/P-5 Review Case #:</b> |                | <b>Disposition Date:</b>    |           |
| <b>AR Case #:</b>             |                | <b>MR Case #:</b>           |           |
| <b>AR Disposition:</b>        |                | <b>MR Disposition:</b>      |           |
| <b>AR Disposition Date:</b>   |                | <b>MR Disposition Date:</b> |           |

### RESTRICTION CODES

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

P-1 National Security Classified Information [(a)(1) of the PRA]  
 P-2 Relating to the appointment to Federal office [(a)(2) of the PRA]  
 P-3 Release would violate a Federal statute [(a)(3) of the PRA]  
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 P-5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA]  
 P-6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

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

PRM. Removed as a personal record misfile.

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

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

THE WHITE HOUSE

WASHINGTON

August 19, 1991

MEMORANDUM FOR THE PRESIDENT

FROM: ROGER B. PORTER *RBP*  
SUBJECT: HIV and Immigration

After our discussion yesterday, I reviewed the Boston Globe article on Harvard's decision to move next year's international AIDS conference out of the United States. This memorandum reviews the events that led to the current situation and the arguments advanced in the Globe article.

Background

We have long excluded individuals from entering the United States who have infectious diseases. Senator Helms offered a rider to the HHS-Labor Appropriations bill in 1987 that added HIV infection to the list of "dangerous contagious diseases" that preclude a non-citizen from entering the U.S.

The effect of this was two-fold: (1) prospective immigrants are tested for HIV as part of their medical examination and (2) the Immigration and Naturalization Service (INS) can stop anyone from entering who is HIV infected.

Soon thereafter, provision was made for 30-day waivers for people who wished to attend professional conferences, visit relatives, or enter the country for business purposes.

As the 1990 International AIDS conference in San Francisco approached, concern arose that HIV-infected individuals would be precluded from attending because of the Helms amendment. The Department of Justice responded by announcing an administrative directive that provided for an additional 10-day waiver for scientific conferences.

Later in 1990, as part of the Immigration Act of 1990, the Congress re-wrote the law, leaving it to the Secretary of Health and Human Services to determine what "contagious diseases of public health significance" should bar entry into the U.S. The law provided that HHS had until June 1, 1991, to publish a final rule or thereafter no one could be excluded on contagious disease grounds.

Implementing the Immigration Act

Secretary Sullivan published a proposed rule on



January 23, 1991, that would have listed only one disease: infectious tuberculosis.

On May 31, 1991, Secretary Sullivan published an interim rule that acknowledged the extensive public comments received and the concerns of the Justice Department. This rule effectively preserved the status quo.

Secretary Sullivan published the interim rule with the understanding that Justice would work with HHS to refine the policy. Those discussions have reached the following conclusions: (1) Justice will broaden the policy on short-term visitors to include, for instance, tourists; and (2) HHS will publish a rule that limits the list of "contagious diseases of public health significance" to HIV-infection and infectious tuberculosis.

While the details of this agreement are still being worked out, their substance has been widely reported in the press.

#### The Harvard Conference

The Boston Globe account presents several charges:

1. The United States is one of the few countries that excludes HIV-infected persons.

A World Health Organization (WHO) consultation on HIV and travel in 1987 said testing of travellers was ineffective in controlling the spread of AIDS. Since then the trend internationally has been for countries with restrictions on travellers to reverse those restrictions.

The situation is different with respect to immigration. There is no WHO consensus on immigration. What distinguishes the United States is the large number of immigrants we accept. Outside the U.S., Canada, Australia, and Israel, net migration is negligible. The Australians, for example, are unlikely to accept HIV-infected individuals who are likely to become a public charge. If the U.S. is isolated, it is in our generosity in accepting immigrants.

2. Our immigration policy caused Harvard to cancel the conference.

The Harvard statement simply cites the uncertainty about our policy in its reasons for canceling. "Unfortunately, in light of the ongoing policy debate on this issue, the conference organizers cannot credibly assure that all necessary participants could or would attend a 1992 conference in Boston."

Current policy does allow HIV-infected individuals to attend conferences.

The focus on permanent immigration policy by the AIDS community is a recent phenomenon. In a 1990 letter to the International AIDS Society, Max Essex, the conference chair, said the fact that the conference was in jeopardy only if "those who are infected with the AIDS virus cannot travel freely to our country."

As the Globe story notes, moderate groups were willing to accept this policy, but more activist groups were not. Indeed, it was pressure from the activist groups that appears to have led to the decision to cancel.

3. The most important annual gathering of researchers will be disrupted.

While the International AIDS Conference receives significant media attention, it has ceased being the most important international gathering. In a field that has grown as large as HIV-related research, a single conference is too large. Most researchers find more narrowly focused conferences to be more important.

The international organizers have recognized this fact. They plan to change the conference to a biennial event after the 1994 conference, the last annual conference thus far scheduled.

#### Administration Response

Following the announcement on Friday that the sponsors were seeking a location outside the U.S. for the conference, HHS issued the statement attached at Tab A.

After discussing the issue with Governor Sununu, he suggested that Secretary Sullivan send an op-ed piece or a letter to the Boston Globe based on the HHS release to help set the record straight. Given that the Globe failed to mention the HHS news release, something more is needed to inform their readers of what the facts are surrounding this conference.

Attachment



# HHS NEWS

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

Contact: Campbell Gardett  
(202) 245-6343

Bill Grigg  
(202) 245-6867

## STATEMENT OF THE U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

August 16, 1991

The Department regrets that sponsors of the 1992 International Conference on AIDS will seek a location outside the United States. The annual International AIDS Conference serves a valuable function in the exchange of scientific and treatment information, and we regret the dislocation involved in changing conference plans.

The Department believes that this action was not necessary. HHS is working with the Department of Justice on final immigration policy regarding persons who are HIV positive. However, even before changes in immigration policy are finalized, the fact is that current immigration policy already provides for simple and confidential entry of persons with HIV to the United States for scientific conferences.

- U.S. immigration policy has permitted short term visits (30-day waivers) for people with HIV infection since 1988 (to attend professional conferences, for business purposes, to visit relatives).
- In 1990, to accommodate confidentiality concerns raised by the San Francisco International AIDS conference, an additional 10-day waiver provision was added allowing entry for scientific conferences without the need for an alien to declare HIV status or have any record made in his or her passport.

HHS will pursue its efforts with the Justice Department. In the meantime, however, there are in place adequate provisions for any HIV positive person to attend scientific conferences in the United States.

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THE WHITE HOUSE

WASHINGTON

December 20, 1990

THE CHIEF of STAFF  
has seen

MEMORANDUM FOR JAMES A. BAKER III  
NICHOLAS F. BRADY  
ROBERT A. MOSBACHER  
CARLA A. HILLS  
JOHN H. SUNUNU ✓  
BRENT SCOWCROFT  
RICHARD G. DARMAN  
MICHAEL BOSKIN

FROM: ROGER B. PORTER *RBP*

SUBJECT: Visit by Korean Special Envoy Cho Soon

I met on December 18 with Korean former Deputy Prime Minister Cho Soon.

A copy of the memorandum of conversation is attached.

Attachment



THE WHITE HOUSE

WASHINGTON

December 19, 1990

MEMORANDUM OF CONVERSATION

FROM: ROGER B. PORTER

SUBJECT: Meeting with Korean Special Envoy Cho Soon

This memorandum reports on a meeting on December 18 with Korean former Deputy Prime Minister Cho Soon. Dr. Cho was visiting the United States as President Roh's special envoy on U.S.-Korea trade.

After expressing appreciation for Dr. Cho's visit, I said that it was deeply disappointing to the U.S. that the Brussels Ministerial had failed to produce an agreement on the Uruguay Round. The Administration views the Uruguay Round as an extraordinarily important stage in the evolution of the world trading system.

Based on my experience in Brussels, there was progress in every area except agriculture. In agriculture, the U.S. and the Cairns Group are seeking to create a more market-oriented farm trade regime over a 10-year transition period. The U.S. was prepared to accept the non-paper prepared by Swedish Minister Hellstrom as a basis for discussion, even though it did not meet all of our needs. Accordingly, we were deeply disappointed that Japan, Korea, and the European Community rejected it. The President is deeply committed to the Uruguay Round. Because of the legal constraints on the U.S. negotiating authority, it is important that the talks be resumed soon. We hope that Japan, Korea, and the EC will agree to serious negotiations.

Dr. Cho responded that the Korean Government regrets the Brussels failure. He conceded that this statement may sound inconsistent with Korea's position in Brussels that it could not accept the Hellstrom text as a basis for negotiation. Since Cho was not in Brussels, he could only explain the intentions of the Korean delegate. The delegate misunderstood the procedures for discussing the proposed compromise text and thought there would be further time and room for negotiations. Cho emphasized that he was not saying that the Korean Government was prepared to compromise on farm trade. The agriculture issue presents a serious problem for Korea. The government is studying carefully the consequences of the suspension of the GATT talks, but he could not predict the outcome of this review.

Cho said that President Roh's message to the U.S. was that Korean policy is designed to maintain free trade and a liberal economic order. The Korean President regrets any bilateral irritations. In Cho's view, there is a need for both governments to reevaluate developments and think of constructive ways to resolve bilateral trade issues. Cho said his mission is to explain Korean economic policy to the USG, listen carefully, and convey his impressions to President Roh.

I responded that we appreciate Korea's expressed desire to move toward trade liberalization. The U.S. and Korea have a good relationship. We are deeply concerned, however, about the pattern of discriminatory actions targeted at American products and companies, particularly the anti-import campaign. Stopping these actions will require clear direction from the top. Otherwise the bureaucracy, if it is like most bureaucracies, will go its own way. Accordingly, if the Korean Government's policy is to change bureaucratic actions, it must be delivered from the top, and repeated forcefully and often.

With respect to the Uruguay Round, I said that we are encouraged that Korea believes that there is a chance to return to the agriculture issue. The U.S. and the Cairns Group recognize that agriculture is a sensitive issue in many countries. We are convinced, however, that it is possible to move toward a more market-oriented system that avoids the trade distortions, protectionism, and consumer costs of the present one. The key is to identify a clear goal and put in place a transition mechanism for achieving that goal over time. This process need not be highly disruptive. It must provide opportunities for adjustment by import-sensitive sectors, including sugar, dairy, and peanut farmers in the U.S. These people cannot be thrown off the farm. The adjustment, however, must occur eventually, since farming is far more efficient today and resources will need to be reallocated. The President feels strongly that it would be tragic for the U.S., Korea, and the rest of the developed and developing world if the Uruguay Round does not succeed.

Cho responded that the U.S. negotiators had left the impression that the transition period would be very short, e.g., two years. I responded that this impression is incorrect. The U.S. was very clear in proposing a ten-year transition.

I cautioned that the U.S. is entering an economic downturn that will energize protectionist forces in this country. If the Uruguay Round fails, Congress will be intent on dealing with certain bilateral issues, particularly with respect to Japan, Korea, and the EC. It would not be healthy for the U.S.



and Korea to go through a period of fighting one bilateral dispute after another.

Another member of the Korean delegation said that Korea has supported the U.S. in most aspects of the Uruguay Round, apart from agriculture. He characterized (incorrectly) the primary issue in the agriculture negotiations as export subsidies, claiming that Korea does not provide export subsidies. In contrast, Korea's interest is in food security and market access. He claimed that only 20 years ago 70 percent of the Korean population consisted of farmers; the figure now is 17 percent. These farmers form a major political constituency in Korea's fragile democracy and believe that they have been sacrificed.

I assured Cho that his message would be conveyed to the President. I said that people often underestimate their capacity for change. The adjustments taking place in Eastern Europe and Latin America show that the human capacity for change is substantial. At the same time, the United States is sensitive to the political pressures that Korea faces. That is why we have proposed a transition period.

At the end of the meeting, I handed Dr. Cho a letter from President Bush to President Roh. The letter underscores the importance of a strong Korean commitment to a successful Uruguay Round agreement that includes agricultural reform and an appropriate transition mechanism. It also urged firm and decisive steps to halt discrimination against American products and to implement fully existing trade agreements.

THE CHIEF of STAFF  
has seen

THE WHITE HOUSE  
WASHINGTON

January 2, 1991

Dear Governor Sununu:

Please accept my deepest thanks for all you have done on my behalf these past few weeks. I look forward eagerly to the challenges that lie ahead. You have my assurance that I will devote every ounce of energy to furthering those goals and principles which we all share.

The past two years at the White House have been an exciting and highly satisfying experience. Although of a different nature, I have found the intellectual rigor demanded here at least the equal of my prior role of Harvard professor. Your leadership has created an environment in which intelligent and constructive debate forms the basis of policy making. For me, that has made all the difference.

Thank you again for your continued confidence.

Sincerely,  
Larry Lindsey



# Withdrawal/Redaction Sheet

## (George Bush Library)

| Document No.<br>and Type | Subject/Title of Document                                                                 | Date    | Restriction    | Class. |
|--------------------------|-------------------------------------------------------------------------------------------|---------|----------------|--------|
| 08. Memo                 | From Roger Porter to John Sununu<br>Re: CFIUS Report on FANUC/Moore Investigation (1 pp.) | 1/18/91 | <del>P/5</del> |        |

**Collection:**

**Record Group:** Bush Presidential Records  
**Office:** Chief of Staff to the President, Office of the  
**Series:** Sununu, John, Files  
**Subseries:** White House Offices File  
**WHORM Cat.:**  
**File Location:** Policy Development  
(Porter) (1991) [1]

Open on Expiration of PRA  
(Document Follows)

By JP (NLGB) on 10/28/05

|                                        |                                |
|----------------------------------------|--------------------------------|
| <b>Date Closed:</b> 12/28/2004         | <b>OA/ID Number:</b> 29181-004 |
| <b>FOIA/SYS Case #:</b> 1998-0004-F[2] | <b>Appeal Case #:</b>          |
| <b>Re-review Case #:</b> 2005-0426-S   | <b>Appeal Disposition:</b>     |
| <b>P-2/P-5 Review Case #:</b>          | <b>Disposition Date:</b>       |
| <b>AR Case #:</b>                      | <b>MR Case #:</b>              |
| <b>AR Disposition:</b>                 | <b>MR Disposition:</b>         |
| <b>AR Disposition Date:</b>            | <b>MR Disposition Date:</b>    |

### RESTRICTION CODES

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

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

Information

THE WHITE HOUSE  
WASHINGTON

AC/ER

January 18, 1991

MEMORANDUM FOR GOVERNOR SUNUNU

FROM: ROGER B. PORTER *RBP*  
SUBJECT: CFIUS Report on FANUC/Moore Investigation

*f*  
You may have seen a story by Clyde Farnsworth in today's New York Times (attached) alleging that the President has already endorsed an interagency recommendation that FANUC, Ltd., a Japanese corporation, be allowed to purchase 40 percent of Moore Special Tool Company. The story is incorrect.

The Committee on Foreign Investment in the United States (CFIUS), chaired by Treasury Secretary Brady, recommended on December 21 that the President approve the proposed transaction. However, the recommendation is still being reviewed by White House staff. While the CFIUS unanimously found that the proposed transaction does not meet the Exon-Florio criteria, the case is not straightforward.

- Legal authority has lapsed. The Exon-Florio provisions expired with the Defense Production Act last October. Congress will attempt to restore Exon-Florio early this year. While Treasury has been attempting to keep the CFIUS process intact, the President is not subject to the normal 15-day deadline for making a decision.
- Approval of the transaction will be controversial. Moore makes high-quality machine tools, some of which are used by the Department of Energy for its nuclear weapons program. During the mid-1980's, FANUC was one of the largest Japanese strategic technology diverters. If the deal is approved, the Administration will be attacked for allowing the sale of our strategic industrial base, and to an established "bad actor".

Since there is now no statutory deadline for a decision, my staff is working with staff of Cabinet Affairs and the National Security Council to ensure that the President is presented with a full range of options and a thorough assessment of their implications.

Attachment



# U.S. Clears Japanese Stake In Atomic-Arms Toolmaker

By CLYDE H. FARNSWORTH

Special to The New York Times

WASHINGTON, Jan. 17 — The White House has approved a Japanese company's purchase of 40 percent of the only American company that makes precision machine tools that satisfy the requirements of the Defense and Energy Departments for making atomic weaponry.

The deal between the Fanuc Company of Japan, which makes robots and machine tools — machines that make other machines — and Moore Special Tool Inc. of Bridgeport, Conn., was hotly debated within the Bush Administration.

The Committee on Foreign Investment in the United States, a Government review panel, recommended late last month that the White House approve the deal, and that recommendation has been accepted, people involved in the process say. A White House announcement is expected soon, perhaps as early as next week.

Approval is likely to provoke reaction in Congress, where many lawmakers think the Government should be taking stronger action to keep national security technology in American hands.

"Failure to stop this sale sends a clear signal that everything, no matter how vital to our interests, is for sale in the U.S.," said Representative Mel Levine, Democrat of California, chairman of the House High Technology Caucus.

The review panel has examined 517 foreign investments in the last three years, only one of which was blocked — a Chinese company's effort to acquire Mamco Manufacturing Inc., a Seattle company that makes aircraft components.

Foreign investments are reviewed under a law that permitted the President to block foreign purchases deemed a threat to national security. The 1988 Exon-Florio law has lapsed, but it is expected to be revived by the 102d Congress, and the Administration has proceeded as if the legislation were in effect.

The purchase of 40 percent of Moore, a private company employing 400 people in a plant near the Bridgeport airport, has been the subject of a debate within the Administration since the middle of last year, when the agreement with Fanuc was reached.

The Defense, Energy and Commerce Departments initially objected to the deal, fearing that vital security used to build nuclear weapons would pass to the Japanese. The State and Treasury Departments supported the deal, saying that if Moore did not find a strong financial partner it would close and the Government would lose the technology entirely.

Moore has been in the red for two years, and in recent years one of its prime sources of credit was the Bank of New England, which the Federal Government seized last week, saying it was insolvent.

To satisfy the critics' concern about Japanese access to weapons technology, Moore and Fanuc agreed to strict rules about what information would be shared. Fanuc officials, who will have two seats on Moore's five-member board, described their investment as passive and said they were interested only in the technology used for making machines tools used for nonmilitary products.

Moore's main products are computer-operated jig borers that gouge tiny, highly accurate holes in metal, and other precision machining equipment.

In addition to their use in making atomic weapons at Energy Department plants in Oak Ridge, Tenn., and Rocky Flats, Colo., the company's products are widely used in the manufacture of watches, cameras and other products.

More than 60 percent of Moore's output is exported, but because of their strategic value, the Moore tools often required Government export licenses that were not easy to obtain. The blocking or delay of major overseas sales is said to be one reason for the company's financial troubles.

The Fanuc deal was originally drawn so that within five years either the Japanese company or the Moore family, which controls the American company, could buy the other out.

This raised some Government objections that Fanuc could end up in undisputed control, so the agreement was modified, leaving the Moore family with the right to buy out Fanuc but no reciprocal right for the Japa-

nese.

Under the revised agreement, should Moore continue to lose money over the next two years, Fanuc would take effective control of the company by naming a third director. Fanuc says one of its two initial directors will be American, and that if it is entitled to name a third director that person would also be an American.

Fanuc's control of the board would continue until Moore turned a profit, when the third board seat would be given up, under the agreement.

## Decision Called Unfortunate

Kevin L. Kearns, a former Senate Foreign Relations Committee staff member now with the Economic Strategy Institute, a Washington research group, called the decision unfortunate and said it underscored that the United States "does not have any strategy for dealing with the surge of investment."

One Government official, who spoke on condition of anonymity, said the review panel had been persuaded that no similar technology could be purchased abroad. The decision, he said, came to a choice of "either save the company or lose the technology."

The company was founded by Richard F. Moore, who died two years ago. His son, Wayne R. Moore, a champion swimmer at Yale in the 1950's and a former Olympic gold medalist, is now president. He could not be reached for comment.

THE WHITE HOUSE

WASHINGTON

January 22, 1991

AC/ER

MEMORANDUM FOR GOVERNOR SUNUNU

THE CHIEF of STAFF  
has seen

FROM: ROGER B. PORTER *RBP*

SUBJECT: Smoking in the Federal Workplace

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This memorandum follows up on our recent discussion about Secretary Sullivan's proposed Executive Order on smoking and current federal regulations.

Current Federal Policy

Current General Services Administration regulations grant agency heads the authority to designate smoking and non-smoking areas in all Federal facilities, noting that, "in recognition of the increased health hazards of passive smoke on the non-smoker, smoking is to be held to an absolute minimum in areas where there are non-smokers."

Because the designation of non-smoking areas is a discretionary act, it is subject to bargaining with the applicable union.

Proposed Executive Order

Secretary Sullivan has proposed an Executive Order that would impose a more stringent, universal policy of prohibiting all smoking in the Federal workplace. His proposed Executive Order states:

It is the policy of the Federal Government to establish a smoke-free environment in all work space occupied by Federal employees. The smoking of tobacco products is thus prohibited in all Federal Government controlled space, including space obtained on a use permit, nominal rental or rent-free basis.

Secretary Sullivan's proposal would no longer allow agency heads to designate smoking and non-smoking areas in Federal work sites, thus the issue would no longer be subject to collective bargaining.

The Executive Order treats the Department of Defense differently. Full power and implementation of this policy in the Department of Defense would be delegated to the Secretary of Defense. The proposed Executive Order allows a grace period of six months before taking effect.