Originally Processed With FOIA(s):
2009-0275-S

FOIA Number:
2009-0275-S

FOIA MARKER

This is not a textual record. This is used as an administrative marker by the George Bush Presidential Library Staff.

Record Group/Collection:	George H.W. Bush Presidential Records
Collection/Office of Origin:	Scowcroft, Brent, Collection
Series:	Administrative Files
Subseries:	

OA/ID Number:	85037
Folder ID Number:	85037-003

Folder Title:
Franklin, Secretary Barbara

Stack:	Row:	Section:	Shelf:	Position:
V	0	0	0	0

THE WHITE HOUSE

WASHINGTON

April 14, 1992

Dear Barbara:

Now that Joan McEntee is moving up to the Under Secretary position (an appointment with which I enthusiastically concur), I assume you are looking for someone for the Deputy Under Secretary position in Export Administration.

I would like to call to your attention Richard Barth, who is in my International Economics Directorate. Rich has a background in Commerce and has done outstanding work for me on international economics. He should be known to Joan and others who work with the NSC. I have attached his resume and hope you can give him serious consideration.

Sincerely,

Brent

Brent Scowcroft

The Honorable Barbara Franklin
The Secretary of Commerce
14th and Constitution Avenue, NW
Washington, D. C. 20230

Attachment - Resume

RICHARD C. BARTH

Director, International Economic Affairs **1990-Present**
National Security Council, The White House

White House coordinator of strategic trade policy with particular focus on high performance computers, telecommunications equipment and semiconductors. Referee conflicting economic and strategic policy goals of various departments and agencies to establish Administration policy. Ensure that decision recommendations reflect diverse views of industry, Congress, allied governments, and defense and trade policy managers of U.S. Government. Negotiate consensus among these parties to formulate and implement the policies and directives of the President. Coordinate the development and negotiation of key multilateral technology transfer agreements.

Serve as primary NSC expert for national security issues that have a significant science and technology component. Advise President's National Security Advisor of appropriate positions on defense technology and trade issues related to legislation, agreements with foreign governments and Presidential decisions.

Policy Advisor to Assistant Secretary **1987-1989**
Export Administration, U.S. Department of Commerce

Senior policy advisor to the Administration political appointee responsible for defense trade issues and export control law and regulations. Expanded industry participation in export policy development and international negotiations. Negotiated liberalized export controls for machine tools and computer controllers. Supervised staff of twelve.

Director, Foreign Availability Division **1985-1986**
Export Administration, U.S. Department of Commerce

Directed staff of 24 technical and policy analysts in review of worldwide market availability of militarily significant goods and technologies to identify and eliminate ineffective export controls. Working with industry advisory panels, prevented expansion of export controls and reduced control levels in key technologies such as personal computers, machine tools and semiconductor manufacturing equipment.

Director, Office of Saudi Arabian Affairs **1979-1981**
U.S. Customs Service

Implemented U.S.-Saudi agreement to improve Saudi Customs management and operations. Developed and obtained Saudi approval of $100 million, five-year upgrade of technical, administrative and regulatory Customs operations. Expanded U.S. training operations for Saudi Customs officers. Planned and obtained Saudi funding for development of world-class Customs computer center. Advised Saudi Director General of Customs on modernization plans. Annual budget - $20 million. Managed 24 U.S. staff and 50 Saudi-based staff.

Other Career Assignments **1975-1985**
U.S. Customs Service

Beginning as a research chemist in the U.S. Customs Service, assignments included policy and operations analysis, line supervisor, and manager of field analytical laboratory services with a staff of 160 located in ten U.S. ports of entry. Served for four years as principal technical negotiator in international conference to harmonize Customs regulations and nomenclature.

Education

Ph.D. in Inorganic Chemistry, 1975
A.B. in Chemistry, 1971

Personal

Married, two children

Work:

National Security Council
The White House
Washington, DC 20506
Phone: 202-395-3550

Home:

4844 Albemarle Street, N.W.
Washington, DC 20016
Phone: 202-244-1615

APR 3 '92 14:08

DEPUTY UNITED STATES TRADE REPRESENTATIVE
EXECUTIVE OFFICE OF THE PRESIDENT
WASHINGTON, D.C. 20506

April 3, 1992

MEMORANDUM TO THE CANADA POLICY GROUP

FROM: Julius L. Katz DW for JLK

SUBJECT: Presidential Phone Call to Mulroney

As discussed at yesterday's meeting, attached is a draft Memorandum to the President with talking points for a phone call to Prime Minister Mulroney, for your clearance.

We need to get a final version of this memorandum to the White House by later this afternoon; therefore, please provide your clearance/comments by no later than 4:00 p.m. to David Weiss at 395-3412.

Thank you.

Barbara –
I imagine Farris will hate this – especially the lumber part – but it deserves your thoughtful consideration! Brent

THE UNITED STATES TRADE REPRESENTATIVE
Executive Office of the President
Washington, D.C. 20506

MEMORANDUM TO THE PRESIDENT

FROM: Julius L. Katz

SUBJECT: Phone Call to Canadian Prime Minister Mulroney

Issue:

In your most recent telephone conversation with Prime Minister Mulroney, he expressed concern about the growing list of trade disputes between the United States and Canada, raising specifically the Honda audit and softwood lumber countervailing duty cases. As you are aware, there are equally strong feelings on the U.S. side of those issues and there are domestic legal constraints on what we can do. Nevertheless, we are working hard to find ways to solve these issues or at least manage them to minimize adverse impact on the relationship. Meanwhile, another dispute -- involving Canadian beer restrictions that have twice been found to violate GATT rules -- is approaching a mandatory decision-point under U.S. trade laws.

Managing these issues is going to require effort and action on Canada's part, at least as much as our own. We recommend you call the Prime Minister to convey the efforts we are making in some illustrative cases to manage the trade relationship, and to seek a negotiated settlement on the beer case. Talking points and background information on key trade issues are attached.

Outline of Points

- We are attempting to address Canadian trade concerns by:
  - working in the NAFTA to solve the Honda audit issue by crafting a better origin rule for automobiles;
  - considering creative solutions to the softwood lumber case, including a reciprocal lifting of export bans;
  - meeting bilaterally on the Norsk-Hydro case and on border meat inspections.
- We will need Mulroney's immediate help on resolving our concerns with Canada's GATT-illegal barriers to beer imports, or else trade sanctions may be taken.

TALKING POINTS

- o When we last spoke, you expressed your concerns about the Honda and softwood lumber cases, and the strains they are causing in our trade relationship.
- o In the intervening weeks, we have been looking for ways to move issues forward and seek solutions on some of the pending issues in our bilateral agenda.

Honda Audit

- o In the Honda case, I believe there is mutual recognition that the rules of origin in the U.S.- Canada Free Trade Agreement (CFTA) lack clarity.
- o The NAFTA negotiations offer an opportunity to develop new and simpler auto rules of origin, which could then be substituted legislatively for the CFTA rules.
  - -- I thus urge you to defer any consideration of dispute settlement on the Honda case pending such a solution, since starting dispute settlement proceedings would severely cramp our ability to solve this case.

Softwood Lumber

- o The Softwood Lumber case is somewhat more difficult, since the countervailing duty case is now in a legal process.
- o However, I again believe a negotiated solution should be explored.
  - -- One possibility would be to negotiate a reciprocal lifting of our respective log export bans, which would remove over 8 percent of the 14.5 percent preliminary subsidy finding. Ways of dealing with the remaining margin could also be explored.
  - -- If you agree, I am prepared to instruct the USTR and our Commerce Department to further explore this avenue.

Subsidized Canadian Magnesium

- o I also understand that a countervailing duty case is pending on exports of magnesium from Quebec's Norsk-Hydro facility to the U.S.
- o You and I have not discussed this case before, but I know that our Commerce Department has been doing everything possible to work with Canadian officials to resolve the case through negotiation.

Border Meat Inspection

- o Border meat inspection is another issue we have not talked about previously, but again I have instructed the Agriculture Department to make every effort to find a solution to this issue.

Canadian Beer Barriers

- o Quite frankly, Brian, I am mentioning these issues to convey to you the seriousness with which I took your last phone call, and to let you know we are seeking negotiated solutions to these outstanding problems.

- o However, we now have another problem looming very quickly on the horizon, for which I will need your help if we are to avoid further strain on the relationship: that is Canada's barriers to beer imports.

- o As you know, we recently won a GATT dispute settlement case against Canadian provincial liquor board practices. The EC won a similar GATT judgment in 1988.

- o We have reviewed the plan submitted by Canada on March 31 to the GATT to rectify these barriers.

  - -- The plan is unacceptable in that it provides no relief to U.S. beer exporters for another three years.

  - -- Some measure of relief in time for the summer 1992 season is essential for us and our industry.

- o Last December the U.S. stated that the corrective measures needed to be negotiated by April 10.

- o I sincerely hope that, with that deadline approaching so quickly, we can find a solution that provides our industry some relief by the summer and that will therefore allow us to make a positive statement on April 10.

  - -- U.S. negotiators are prepared to meet immediately.

Conclusion

- o I hope you can see from the examples I've cited that we are making every possible effort to narrow down the agenda of U.S.- Canada trade issues. To keep this effort on track, I will need your help on the beer case.

BACKGROUND

Honda Audit: On March 2, the U.S. Customs Service announced, as a result of its audit of Honda, that imports of Honda Civics from Canada do not meet the 50 percent value content requirement of the CFTA rules of origin. If upheld, this finding would require Honda to pay approximately $20 million in duties for the period January 1, 1989 to March 31, 1990. In a related case, the Canadians initiated dispute settlement on behalf of CAMI, a joint venture in Canada between GM and Suzuki, over what costs count to determine origin under the CFTA. We believe that negotiating new rules of origin in the NAFTA, which is currently underway, represents the best solution to these issues. For such new rules to take care of the Honda and CAMI cases, Congress will have to pass legislation to change the current CFTA rule of origin.

Softwood Lumber: On March 6, the Department of Commerce announced its preliminary determination that prices charged by Canada's provincial governments provide countervailable subsidies to their lumber producers. The subsidy margin found on softwood lumber was 14.5 percent. Two programs were found to provide subsidies: export prohibitions (8.25%) and cheap sales from state-owned lands, or "stumpage fees" (6.25%). The case was self-initiated by the Department of Commerce on October 31, 1991, following Canada's unilateral termination of the U.S.- Canada Softwood Lumber Memorandum of Understanding (MOU), which had governed imports of Canadian softwood lumber products into the U.S. since 1987. A final determination is due on May 20.

Both the U.S. and Canada maintain log export bans. However, Canadian restrictions on exports from British Columbia are imposed on exports from all lands in that province, covering roughly 90% of their exports. U.S. export restrictions, on the other hand, apply only to timber from federal and, since 1990, state lands in the western U.S. (roughly 10% of exports).

Quebec Magnesium: In separate countervailing duty and antidumping cases on magnesium manufactured and exported by Quebec's Norsk-Hydro, a Commerce Department preliminary determination found subsidy and dumping margins totaling approximately 66 percent. The major proportion of Norsk-Hydro's subsidy rate was attributed to low cost electricity supplied by Hydro-Quebec. The final determinations in these two cases are due on May 18. Canadian and Commerce Department officials have exchanged several proposals aimed toward a negotiated solution of the cases.

Meat Inspection: In early 1990, Canada and the U.S. agreed in principle to eliminate border reinspection of meat products. Following a large number of negative comments from the U.S. meat industry, the proposed rule to implement this "open border" program was revoked by the U.S. in the fall of 1991. Secretary

Madigan and the Canadian Agriculture Minister have subsequently agreed to instruct their staffs to find a solution to harmonize our respective border meat inspection systems.

Beer: Last September, at our request, a GATT dispute settlement panel held Canadian provincial restrictions on beer to be a violation of the GATT. The EC had won a virtually identical case against Canada in 1988, but Canada had not instituted any remedy. Canadian provincial liquor board practices are such that the pricing, distribution, sales and marketing schemes discriminate against foreign and out-of-province brewers.

A section 301 petition was filed by the Heileman Brewing Company, which was subsequently joined by Stroh's. Pursuant to the mandatory provisions of section 301, USTR announced last December that we would retaliate against Canadian beer imports no later than April 10, if the restrictions were not remedied.

On March 31, Canada reported back to the GATT on measures it intends to take to implement the recommendations of the GATT panel so as to come into conformity with GATT rules. While these measures are to be implemented inter-provincially by July of this year, they will not be applied to foreign brewers until March 31, 1995. Moreover, the Canadian plan does not bring all the restrictive practices into GATT conformity. The U.S. petitioners in the case have a Canadian market share that has been steadily declining due to the discriminatory practices. To reverse this trend, they will need some measure of relief by the summer 1992 season.

In another case affecting only about $3 million in trade, the Canadians won a GATT case against the U.S. over federal wine and beer taxes and on some state practices. This case was brought primarily to counter the U.S. case against Canada. The GATT dispute settlement panel is to present its report to the GATT Council on April 30.

Overall, Canadian beer exports to the U.S. total over $150 million annually, while U.S. beer exports to Canada total approximately $26 million.

Possible retaliation under section 301 would be to increase duties on Canadian beer exported to the U.S. by 100 percent. We would like to avoid sanctions, but cannot continue tolerating GATT-illegal, blatant discrimination.