

10/1/79

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FORM OF DOCUMENT	CORRESPONDENTS OR TITLE	DATE	RESTRICTION
memo	From Duncan to The President (4 pp.) re: Meeting of Energy Ministers opened per RAC NLC-126-18-19-1-2 11/18/13	9/27/79	A
memo	From Brown to The President (3 pp.) re: Activities of Sec. of Defense/enclosed in Hutcheson to Mondale 10/1/79	9/28/79	A
memo	From McIntyre to The President (5 pp.) re: 1980 Central American Supplemental/enclosed in Hutcheson to McIntyre 10/1/79 Opened 12/22/93	9/27/79	A
letter	From West to The President (3 pp.) re: various items SANITIZED 3/1/93	9/11/79	A
memo w/att.	From Brzezinski to The President (8 pp.) re: Military Assistance Program for Egypt Sanitized copy Opened 12/22/93	9/27/79	A
memo	From Brzezinski to The President opened per RAC NLC-126-18-19-1-1, NLC-126-18-19-2-1 11/18/13	10/1/79	A
receipt	President Jimmy Carter, 1p. RE: SSAN	9/10/79	C

FILE LOCATION
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THE WHITE HOUSE
WASHINGTON

10/1/79

Jim McIntyre
Zbig Brzezinski
Henry Owen

The attached was returned in the President's
outbox today and is forwarded to you for
appropriate handling.

Rick Hutcheson

~~CONFIDENTIAL~~ ATTACHMENT

424

THE WHITE HOUSE

5490

~~CONFIDENTIAL~~

WASHINGTON

September 27, 1979

ACTION

MEMORANDUM FOR: THE PRESIDENT

FROM: JAMES T. MCINTYRE *Jim*
 ZBIGNIEW BRZEZINSKI *ZB*
 HENRY OWEN *HO*

SUBJECT: 1980 Central American Supplemental (U)

In the attached memorandum Cy Vance seeks approval of a \$145 million Economic Support Fund supplemental for Nicaragua, Honduras and El Salvador. \$120 million of the request is designed to help fill Nicaragua's balance of payments gap over the next two years. He proposes that Honduras receive \$13 million for immediate impact rural development activities to signal support for the transition to democratic government. The proposed \$12 million for urban impact projects in El Salvador would, he indicates, be provided only if its government carried out electoral and human rights reforms. (C)

In addition, the special NSC working group on Cuba and the Soviet troops issue is considering recommending stepped-up US security assistance and political impact development aid to Caribbean countries. If this recommendation is made and accepted, it would require a supplemental request for some \$30 million so as to begin and expand programs in 1980 which we had previously planned to begin in 1981 -- plus expanded aid to this subregion in the FY 1981 budget. (C)

This memorandum focuses on Cy's request, and does not consider any further recommendation that may be made by the NSC Working Group. (C)

Any supplemental request for aid funds faces great difficulty in the Congress at this time, and could generate reactions in the budget committees that would endanger their support of your wider fiscal policy. You have just transmitted supplementals of \$206 million for PL 480 and \$25 million for Caribbean disaster relief. The current Senate budget resolution provides no room for international affairs add-ons. The House committee version allows \$350 million for PL 480 and other emergency foreign aid budget increases, but there will be an attempt to cut it back on the floor, which may well succeed. (C)

~~CONFIDENTIAL~~

Review on September 27, 1985

DECLASSIFIED

E.O. 12356, Sec. 3.4

PER 4/2/93 NCH/RE/MR-NL-92-152
 BY *J* NARS, DATE 7/26/93

~~CONFIDENTIAL~~

The reaction of the budget committees and of the Congress will depend, to some extent, on the size of a supplemental request, and on whether it is limited to amounts that must be committed during FY 1980 and cannot reasonably be obtained by reprogramming. OMB is concerned that requests beyond amounts justified by emergencies will undermine the Administration's close cooperation with the budget committees regarding government-wide fiscal restraint. (C)

On the other hand, Zbig and Cy believe that the national security case for increased aid to Central America and the Caribbean is sufficiently strong that Congress will be hard pressed to resist it, provided it is presented effectively. (C)

One other factor: If a large supplemental request is made, we will have to follow through with larger requests for later years. There is no sense in playing yo-yo with these countries' aid programs. This has out-year budgetary effects. (C)

Nicaragua

Uncertainties as to Nicaragua's balance of payments in 1981 also lead us to suggest that you confine any supplemental request for Nicaragua to an amount related to its needs for import financing in the immediate year, 1980. At this moment, we cannot determine within large orders of magnitude what aid, if any, Nicaragua will need in 1981 for this purpose. The 1981 gap can better be estimated later in the fall, during the FY 1981 budget process, when we will know more about creditor action to reschedule foreign debt payments, aid commitments by other donors, private capital movements, and supplier credit extensions. (C)

We believe that \$75 million in Economic Support Funds for general import-financing is a sufficient and defensible FY 1980 supplemental request for Nicaragua. It could be augmented by food aid, drawing on the program reserve -- in substantial amounts if the Congress approves your pending PL 480 supplemental budget request. McIntyre and Owen believe it is quite possible that no further import financing aid will be required in 1981; therefore, our presentation of the FY 1980 ESF supplemental to the Congress in October should not commit us to continue in FY 1981 this extraordinary form of aid to Nicaragua. (C)

Zbig believes that further aid will be needed and that US assurance of support in providing that aid throughout Nicaragua's recovery period (present-1981) is important. He proposes that this assurance be given by asking for a \$75 million ESF supplemental now and informing the Nicaraguans that we intend to fund the remainder (Cy recommends \$45 million) in the FY 81 budget, provided that there is still a need in Nicaragua and our current projections prove accurate. (C)

El Salvador, Honduras

In proposing supplemental requests for additional project assistance to El Salvador (\$12 million) and Honduras (\$13 million) Cy rejects reprogramming on grounds that this would cut too deeply into other country programs already reduced by Congressional cuts. IDCA and AID also oppose shifting development funds to programs enlarged for short-term political purposes. Further, Cy and Zbig advocate a supplemental for these countries as a clearer political signal of a broad US response to Cuban pressure in Central America and evidence to Congressional conservatives that our support is not limited to leftist Nicaragua. (C)

McIntyre and Owen submit that the stated objectives can be accomplished without including El Salvador and Honduras in the supplemental. Instead, they propose that a willingness to provide expanded development aid to these countries be foreshadowed in the testimony on the Nicaragua supplemental and included in the FY 1981 budget. All agree that an intensified program of Central American development should be coordinated by the World Bank and engage other donors and multilateral agencies. The Bank already is preparing to fulfill this role in response to Central American requests, and an announcement can be made just before the testimony. We believe Venezuela and other countries would welcome it. Out of our FY 1981 budget we would provide increased development aid to Honduras and El Salvador if the World Bank concludes that this is needed and could be put to good use, and subject to execution of the promised reforms. If it later becomes evident that immediate impact development aid to one or both of these two countries during FY 1980 is absolutely necessary, McIntyre and Owen would then favor review of reprogramming or supplemental options. They note that in the 25-year history of foreign aid attempts to achieve short-term political objectives with development projects have seldom worked. They oppose such potentially wasteful aid spending when domestic programs are being cut back to fight inflation. (C)

*I agree
Owen
to
Mc*

If an expanded Central American Development Group is established in early 1980, based on the experience of the Caribbean Group two years ago, Zbig believes that a successful launching of this initiative will require an early and firm financial commitment from the US. He therefore recommends that we request the two additional packages for El Salvador and Honduras in a supplemental but make clear that our purpose is to give impetus to the multilateral effort. If we waited until the FY 81 budget is appropriated before making a financial commitment in the new group, Zbig believes we would deprive the initiative of urgency and momentum. (C)

Options

Nicaragua:

Option 1: Seek immediately FY 1980 supplemental ESF authorization and appropriation of \$120 million to help cover Nicaragua's balance of payments gaps in 1980 and 1981. Vance recommends. (C)

Approve _____ Disapprove _____

Option 2: Seek immediately FY 1980 Supplemental ESF authorization and appropriation of \$75 million to help cover Nicaragua's balance of payments gap in 1979 and 1980, and advise the Nicaraguans that the remaining amount requested by Secretary Vance (\$45 million) will be included in the FY 1981 budget if our current balance of payments projections for the Nicaraguan economy prove reasonably accurate. Brzezinski recommends. (C)

Approve _____ Disapprove _____

Option 3: Seek immediately FY 1980 supplemental ESF authorization and appropriation of \$75 million to help cover Nicaragua's balance of payments gap in 1980, deferring to the FY 1981 budget process consideration of whether such assistance is required in 1981. McIntyre and Owen recommend. (C)

Approve ✓ _____ Disapprove _____ J

Honduras and El Salvador

Option 1: Seek immediately FY 1980 supplemental ESF authorization and appropriation of \$12 million for El Salvador (subject to execution of stipulated reforms) and \$13 million for Honduras to fund additional quick-impact projects. Vance Recommends. (C)

Approve _____ Disapprove _____

Option 2: Seek the supplementals for El Salvador and Honduras, as proposed by State, but with the understanding that we would use this aid to give impetus to a broad multi-lateral development program for Central America under IBRD and IDB leadership starting early in 1980. Brzezinski recommends. (C)

Approve _____ Disapprove _____

(Owen/McIntyre Option on next page)

Option 3: Do not seek supplementals for these countries but, instead, announce support for a multilateral development effort in Central America to be organized by the World Bank at the request of these countries; increase planned FY 1981 development assistance to them, subject to progress on democratic reforms. McIntyre and Owen recommend. (C)

Approve _____ ✓ _____ Disapprove _____

J

~~SECRET~~

4/40

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

September 27, 1979

C

MEMORANDUM FOR: THE PRESIDENT

FROM: ZBIGNIEW BRZEZINSKI *ZB*

SUBJECT: Military Assistance Program for Egypt (U)

As you know, the PRC met last week to consider how to respond to the Egyptian request for a five-year program of military cooperation and assistance. As indicated in the summary notes at Tab B, Cy Vance, Harold Brown and I agree that a major program is required. Jim McIntyre has submitted his comments separately at Tab A, rightly pointing out the budgetary implications of a very substantial, long-term security relationship with Egypt. (S)

Egypt's very large military establishment is facing massive obsolescence in the near future. There is no inexpensive quick fix for this situation. There is also no realistic probability that other sources of military support will soon appear. The questions which Jim raises in his memorandum underline the difficulties which we all recognize are associated with a program of sufficient size to respond to Egypt's needs. A high-level Defense delegation visited Egypt in mid-August for frank and detailed discussions of the military supply problems Egypt faces. Our own subsequent analysis of the [redacted] Egyptian request concluded that a program in the neighborhood of \$4.35 billion is required to meet Sadat's basic military and political needs over the next five years. (S)

We do not underestimate the difficulties of presenting a program of this magnitude on the Hill, and we recognize that it would be used as leverage to increase Israel's current aid levels. However, it is our reading of the mood on the Hill that the Egyptian predicament is understood and viewed with considerable sympathy. That viewpoint is substantiated by the findings of the Senate Foreign Relations Committee Staff, which recently conducted a fact-finding visit to Egypt. They concluded (and are reporting confidentially to the Committee) that there is need for an enduring U.S. military supply relationship with Egypt beyond anything discussed to date, probably including additional credits in FY 81 plus FMS credits in excess of \$500 million per year. The politics of this situation are very different from the F-15 sale to Saudi Arabia. (S)

APPROVED BY Zbigniew Brzezinski
 DATE 9/25/85

EXT BUIND 6 YEARS BY _____
 REASON _____

~~SECRET~~

SANTIZED
 E.O. 12356, Sec. 3.4
 PER J. H. S. H. RE MR-NC-92-172
 BY [Signature] NARS. DATE 11/13

Harold Brown is looking at possibilities of substituting materiel from our own inventory in place of new purchases with long lead times. However, the Egyptian problem of mass obsolescence is so great that we cannot expect to remedy it by drawing down our own active inventories. For example, Harold believes we could find about 15 F-4s from USAF inventories to offer the Egyptians, but that is only a small percentage of what they need. We may be able to find a number of M-48 tanks to replace Egypt's aging Soviet equipment. However, this is an issue which will have to be worked out in subsequent discussions with the Egyptians.

[Redacted] (S)

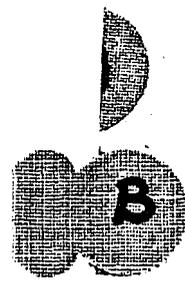
Similarly, the proposal to adopt "cash flow" procedures in managing Egypt's military account recognizes that we would permit Egypt to borrow against future credits. There is some risk associated with such an approach, but it is the same risk we have already accepted in dealing with large programs for Israel and Jordan. The fact is that continuation of the present "full funding" procedures will severely limit the mileage Egypt can hope to squeeze out of available credits and will inevitably lead to requests for significantly higher aid levels. (S)

Jim McIntyre's suggestion of a joint State-Defense decision paper is a good one. Since most of the analytical work for such a paper has already been done in preparation for the PRC meeting, I recommend that the paper be completed for your review and decision no later than October 8 in order to provide ample time for necessary consultations on the Hill and preparation of our presentation to the Egyptians in early November. I am concerned that we not delay very long on this issue, in view of the pressures on Sadat to show concrete results from his new association with us -- pressures that are also related to the success of the peace process. Thus politically there is need for some urgency, whatever we decide. (S)

RECOMMENDATION: That a joint State/Defense decision paper be prepared for your review by October 8, examining the implications of a long-term military assistance program for Egypt along the lines proposed by the PRC, and alternatives. (S)

Approve
 Other

J
Be cautious about excessive U.S. commitments. Budget constraints will be very severe.
J.C.





~~SECRET~~
EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

SEP 26 1979

MEMORANDUM FOR: THE PRESIDENT
FROM: James T. McIntyre, Jr. *Jim*
SUBJECT: Security Assistance Relationship with Egypt

The PRC met on September 20, 1979, to review the dimensions of a long term U.S. security assistance relationship with Egypt. At that meeting all agencies except OMB agreed that a \$4 - 5 billion five-year program including F-16 aircraft and M-60A3 tanks would be the minimum U.S. program to support Egyptian needs. The NSC is sending you a summary report of the meeting and intends to begin congressional consultations and conclude negotiations with the Egyptians assuming your approval of the PRC summary report.

I am very much aware of the importance of helping the Egyptians rebuild their deteriorating military forces as well as their economy. Nonetheless, I am also deeply concerned that you have all the issues carefully presented to you before you make a decision which will determine our long-term security assistance relationship not only with Egypt but also to a significant extent with Israel and will have a number of other foreign policy and budgetary repercussions.

The more important questions which you should ask include:

- Can we justify a major new assistance request so soon after the special \$4.8 billion "peace package" which was supposed to last until 1982? (I am concerned that Congress may question what appears to be added military build-up resulting from "peace" especially since Secretaries Brown and Vance stated that the peace package would cover three years.)
- If we delayed the initiation of additional U.S. funding until 1982, what steps could the Egyptians take to meet minimum needs by using their own or other funds? (I believe you should ask State and Defense to assess the possible problems which could arise should the United States become the sole source of military financing for Egypt.)
- Are there ways to achieve the same results to Egypt without making a five-year commitment? (I believe a five-year agreement now with Egypt will create great pressures for similar arrangements with Israel and countries like Turkey which have pushed vigorously for multi-year security assistance agreements but have been refused by us thus far.)

IAD/Sanders

CLASSIFIED BY _____
 Declassify Review for De-
classification on 9/24/87

Jr 1/26/93

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- . What will be the Israeli reaction to a long-term U.S. program to reequip Egyptian armed forces? (I doubt that we could fully resist the Israeli request — received this month — to almost double our aid from \$1.8 to \$3.4 billion under the circumstances.)
- . What other foreign affairs programs would have to be reduced to accommodate such a large increase in security assistance to these two countries? (I doubt that there will be budgetary room for, or that Congress would support, both this size Egyptian/Israeli increases and your proposed doubling of development assistance.)
- . Should the United States shift to a "cash flow" approach to financing military sales to Egypt? (This approach will reduce our near term financing requirements but would mortgage future FMS appropriations to pay off past commitments.)
- . Could we substitute systems from U.S. inventory — F-4's for F-16 aircraft or M-48 for M-60 tanks -- in order to make our deliveries more timely and to reduce costs? (I realize the problem of taking equipment from U.S. forces, but am also concerned that F-16 and M-60 deliveries to Egypt would not be scheduled until 1984 or 1985, with almost no U.S. equipment deliveries in 1982 or 1983.)
- . How can we minimize adverse Israeli and congressional reaction to the financing of sophisticated aircraft to Egypt? (We all remember the heated Israeli/congressional reaction to the sale of F-15's to Saudi Arabia and the pressures for greater aid to Israel.)

Conclusion

I recognize that the U.S. will have to provide a great deal of security assistance to Egypt over the coming years, probably beginning with an additional infusion of military aid in 1981. Nonetheless, the assistance package should be carefully structured to avoid the impression of entering into a formal five-year military supply relationship which is likely to be unnecessarily costly and politically and diplomatically awkward. I believe we can structure a better package, especially given the time available to us between now and our formal submissions to Congress early next year.

~~SECRET~~

Recommendation

Rather than approve consultations and negotiations on the basis of the PRC conclusions as presented, you should request Defense and State to prepare a decision paper for you which lays out the basic alternatives for your review and decision. The paper should address the kinds of questions which have been raised regarding the budgetary impact on other programs (particularly Israel), alternative ways of structuring the program, and likely congressional and foreign reaction. Such a decision paper would permit your review and thorough congressional consultations prior to David McGiffert's scheduled return trip to Egypt in early November (the timing of which is the apparent reason for the push for an accelerated decision). Although I recognize that you may want to make decisions before then, I would strongly urge you to delay the decision until you can see the full budgetary implications in November and December.

Approve PRC recommendation (Commit to Egyptian aid level now)

Request interagency decision paper but defer decision until budget reviews

MEMORANDUM

NATIONAL SECURITY COUNCIL

5439X

~~SECRET~~

POLICY REVIEW COMMITTEE MEETING
September 20, 1979

Time and Place: White House Situation Room
1630-1800 hours

Subject: Egyptian Military Supply Relationship (U)

Participants:

State

David Newsom (chairman)

Under Secretary for Political Affairs

Lucy Benson, Under Secretary for Security Assistance, Science
and Technology

Harold Saunders, Assistant Secretary, Bureau of Near Eastern
and South Asian Affairs

OSD

Secretary Harold Brown

Graham Claytor, Deputy Secretary

David McGiffert, Assistant Secretary, International Security Affs.

Robert Murray, Deputy Assistant Secretary, Near Eastern African,
and South Asian Affairs

JCS

Lt. General John Pustay, Assistant to the Chairman

DCI

Admiral Stansfield Turner

Robert Ames, NIO for Near East and South Asia

OMB

John White, Deputy Director

Bowman Cutter, Executive Associate Director for the Budget

ACDA

Spurgeon Keeny, Deputy Director

Barry Blechman, Assistant Director, Weapons Evaluation and
Control Bureau

White House

David Aaron

NSC

Robert Hunter

Gary Sick

Robert Kimmitt

~~SECRET~~

Review on September 20, 1985

SANITIZED

E.O. 12356, Sec. 3.4

PER 4963 NSC HQ RE MAR-11-92-152
BY CPH NARS. DATE 7/26/93

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SUMMARY OF CONCLUSION

The PRC recommended (with OMB to comment separately) that a U.S. delegation resume talks with the Egyptians in early November. This delegation should be authorized to discuss a five-year U.S.-Egyptian military supply relationship based on a proposed level of U.S. support as follows:

1. \$350 million of additional credits in FY 81.
2. Cash flow financing of the Egyptian program.
3. \$800 million in credits per year for five years (FY 82-FY 86).
4. Approval in principle to sell F-16 aircraft and M60A3 tanks. (S)

Discussion

Secretary Brown reported to the PRC on the results of the high-level delegation which visited Egypt in mid-August for discussions with the Egyptian military leadership, and on subsequent discussions he had conducted with Vice President Mubarak in Washington. It was his judgment that Egypt has very substantial legitimate security needs. Given the withdrawal of Arab financial support from Egypt, the fact that Sadat has in effect burned his Bridges by turning to us, and our own political commitment to Egypt as part of the on-going peace process, he saw no alternative to the United States accepting a major program of support for Egypt for some time to come. This analysis was endorsed fully by the Department of State, the JCS, and the NSC. Admiral Turner added that, without substantial U.S. support, Sadat might be in trouble domestically. (S)

Secretary Brown noted that Egypt was previously reported to be receiving \$800 million per year from Arab sources. That funding was assumed to be available when we proposed the \$1.5 billion, three-year "Peace Package" for Egypt. [REDACTED]

our own analysis of Egypt's security needs indicates that it requires a military program of about \$4 Billion through FY 86. He proposed that the United States consider a program of FMS credits over a five-year period (FY 82 through FY 86) of \$800 million per year. He also noted that some additional assistance would be required before FY 82 in order to permit Egypt to begin working out its military priorities and to begin placing orders. Otherwise, there would be no tangible

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progress on the Egyptian program during the next two critical years. He proposed that this be accomplished in two ways:

-- That we agree to finance the Egyptian program on a "cash flow" basis. This procedure, which is now used with Israel and Jordan, permits available credits to be used to cover actual expenses in a year, with the implicit understanding that additional credits will be available in future years. (The Egyptian program is now handled on a "full funding" basis in which credits are set aside from the start to cover the entire cost of a program.) By shifting to the cash flow basis, some of Egypt's credits under the \$1.5 billion "Peace Package" would be freed to cover start-up costs on additional programs.

-- That an additional \$350 million in credits be added to the FY 81 budget. This additional increment, plus cash flow funding, would smooth out the two-year gap until additional funds became available in FY 82. If this course of action were adopted, we would have to explain to Congress that the withdrawal of Arab support from Egypt required us to request additional funds before the end of the three-year period previously anticipated for the "Peace Package." It would also provide leverage for Israel to request an increase in its own funding level. (S)

All agencies except OMB agreed that this level of funding was consistent with Egypt's needs. OMB representatives stated that they would want to take a much closer look at the concept of cash flow funding. OMB indicated that they would submit their comments on this and the budgetary implications of this very large proposal to the President separately since they had not had time to study it sufficiently. (S)

OMB questioned the need to seek a decision on this issue now, rather than during the regular budget review process in December. Secretary Brown noted that we had promised General Ali to resume talks in early November. At that time we would have to be able to provide some indication of the size of the program we were prepared to offer. It was also noted that the proposed sums--although very large--required an appropriation of only ten percent of the total amount as a credit guarantee. (S)

The PRC reviewed the list of items which Egypt has requested. All agreed that we could not support its request to purchase F-15 aircraft at this time. However, all agencies, including

ACDA, supported the OSD/JCS proposal that we indicate our willingness in principle to sell F-16 aircraft and M60A3 tanks to Egypt. Other items on the list, e.g. APCs, air defense, ships, etc., did not pose a significant problem in terms of arms transfer policy. The exact number, mix, and timing of any purchases would have to be worked out with Egypt. This program would not permit Egypt to purchase as much as they had requested, and further negotiations would be required to permit them to work out their own priorities. (S)

All agreed that consultations should be undertaken with the Congress as soon as possible after the President had had the opportunity to review the PRC recommendation and take a decision. We would probably wish to inform President Sadat personally of the President's decision at approximately the time we begin consultations on the Hill, but we should avoid leaks coming from Egypt before the Hill had been informed. (S)

THE WHITE HOUSE
WASHINGTON

SUSAN

NSC HAS REVIEWED THE
LETTER, AND EVIDENTLY
THERE IS NOT MUCH OF
A FOREIGN POLICY COMPONENT
IN IT

SUGGEST YOU HANDLE

RICK

~~CONFIDENTIAL~~

JOHN C. WEST
AMERICAN EMBASSY
APO NEW YORK 09697

C

Sept 11, 1979

Dear Mr. President:

We have had another good visit with Bob Strauss. He undoubtedly has the toughest job of anyone in the world, except you. However if the problem here can be solved - and I still believe it can - Bob is the man to do it. My own analysis has been for sometime that the problems are more political than diplomatic, therefore Bob is the ideal person. This conviction has been strengthened by the fact that the career diplomats who are working closely with Bob have come to respect and admire him.

I have felt for you during those last few weeks. Andy's resignation was I know a most difficult situation for you. I'm delighted to see that in his resignation aftermath that he is beginning to receive recognition and credit for some of his noteworthy achievements which have been many.

Electrostatic Copy Made
for Preservation Purposes

PER 2-24-83
BY [Signature]
NARS. DATE 7/24/93

ORIGINAL OF BY Dr. Brzezinski
DATE 9/18/85
BY [Signature]
DATE 6 YEARS BY [Signature]

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

I strongly urge you not to accept Hamilton's resignation. The accusations against him are ludicrous, and it would be a travesty to allow such irresponsible charges to drive out of Public service a man like him. I think that politically there would be less damage by weathering whatever storm comes than by allowing him to resign.

Leis is riding back with Bev and looks forward to seeing Rosalynn when she comes to South Carolina on Sept 20. Incidentally, I talked to Don Fowler in S.C. and he tells me that you would defeat Kennedy 2 to 1 in our state "and any Republican they can put forward..." I was of course happy to hear that and I know Don's assessment is correct.

The Saudis are still very much in our corner. [redacted] has indicated no regret at the decision to increase production - only that it may have been a little soon and the urgency of passing your energy bill was lost upon the Congress and public after the gas lines disappeared. I hope that increase will continue through

~~CONFIDENTIAL~~

CONFIDENTIAL

3
the quarter - I've had no indication that
it won't. [REDACTED] the other day
asked me if the increase in production
had helped you politically. I told him
that it certainly had in my judgment.
With a twinkle, he remarked that
he hoped that a million barrels were
worth at least a million votes - and
if so the Saudis had done at least
something to help with your reelection.

I know things make look tough
now but I have enough faith in
the fairness and judgment of the
American people to believe that
ultimately they will recognize and
approve the outstanding job you
are doing.

Faithfully,
JW

P.S. My Cousin, Martha Bear Anderson
editor of the Hampton County Guardian
was thrilled and overwhelmed with
her visit to the White House and your
press conference. Since that visit,
the paper has been packed with laudatory
comments about you and your program.
That's good politicking!

CONFIDENTIAL

JW

A

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

UNCLASSIFIED WITH
CONFIDENTIAL
ATTACHMENT

September 19, 1979

MEMORANDUM FOR: THE PRESIDENT
FROM: ZBIGNIEW BRZEZINSKI *ZB*
SUBJECT: Letter from Ambassador West

At Tab A is a short handwritten note from John West. It is personal in tone and deals with a number of political issues. He notes that his wife, Lois, hopes to meet with Rosalynn when she visits South Carolina soon.

UNCLASSIFIED WITH
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ATTACHMENT

DECLASSIFIED
E.O. 12356, SEC. 3.4(b)
WHITE HOUSE GUIDELINES, FEB. 24, 1983
BY *[Signature]* NARS, DATE *7/26/93*

~~CONFIDENTIAL~~

THE WHITE HOUSE
WASHINGTON

01 Oct 79

The Vice President
Zbig Brzezinski

The attached was returned in
the President's outbox. It is
forwarded to you for your
information.

Rick Hutcheson

~~SECRET~~

4218

DECLASSIFIED

Per, Rac Project

ESDN: NLC-126-18-19-11

BY KS NARA DATE 11/18/83

FOR STAFFING
FOR INFORMATION
FROM PRESIDENT'S OUTBOX
LOG IN/TO PRESIDENT TODAY
IMMEDIATE TURNAROUND
NO DEADLINE
FOR APPROPRIATE HANDLING
LAST DAY FOR ACTION

DECLASSIFIED

Per, Rac Project

ESDN; NLC-126-19-19-1-1

BY KS NARA DATE 11/18/17

ADMIN CONFID
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ACTION
FYI

/	VICE PRESIDENT
	JORDAN
	CUTLER
	DONOVAN
	EIZENSTAT
	MCDONALD
	MOORE
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	WEXLER
/	BRZEZINSKI
	MCINTYRE
	SCHULTZE
	ANDRUS
	ASKEW
	BERGLAND
	BROWN
	CIVILETTI
	DUNCAN
	GOLDSCHMIDT
	HARRIS
	KREPS
	LANDRIEU
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/	MILLER
	VANCE
	BUTLER
	CAMPBELL
	H. CARTER
	CLOUGH
	CRUIKSHANK
	FIRST LADY
	FRANCIS
	HARDEN
	HERTZBERG
	HUTCHESON
	KAHN
	LINDER
	MARTIN
	MILLER
	MOE
	PETERSON
	PRESS
	SANDERS
	SPETH
	STRAUSS
	TORRES
	VOORDE
	WISE

~~SECRET~~

4140

MEMORANDUM

THE WHITE HOUSE
WASHINGTON

September 27, 1979

C

MEMORANDUM FOR: THE PRESIDENT
FROM: ZBIGNIEW BRZEZINSKI *ZB*
SUBJECT: Military Assistance Program for Egypt (U)

As you know, the PRC met last week to consider how to respond to the Egyptian request for a five-year program of military cooperation and assistance. As indicated in the summary notes at Tab B, Cy Vance, Harold Brown and I agree that a major program is required. Jim McIntyre has submitted his comments separately at Tab A, rightly pointing out the budgetary implications of a very substantial, long-term security relationship with Egypt. (S)

Egypt's very large military establishment is facing massive obsolescence in the near future. There is no inexpensive quick fix for this situation. There is also no realistic probability that other sources of military support will soon appear. The questions which Jim raises in his memorandum underline the difficulties which we all recognize are associated with a program of sufficient size to respond to Egypt's needs. A high-level Defense delegation visited Egypt in mid-August for frank and detailed discussions of the military supply problems Egypt faces. Our own subsequent analysis of the \$8 billion Egyptian request concluded that a program in the neighborhood of \$4.35 billion is required to meet Sadat's basic military and political needs over the next five years. (S)

We do not underestimate the difficulties of presenting a program of this magnitude on the Hill, and we recognize that it would be used as leverage to increase Israel's current aid levels. However, it is our reading of the mood on the Hill that the Egyptian predicament is understood and viewed with considerable sympathy. That viewpoint is substantiated by the findings of the Senate Foreign Relations Committee Staff, which recently conducted a fact-finding visit to Egypt. They concluded (and are reporting confidentially to the Committee) that there is need for an enduring U.S. military supply relationship with Egypt beyond anything discussed to date, probably including additional credits in FY 81 plus FMS credits in excess of \$500 million per year. The politics of this situation are very different from the F-15 sale to Saudi Arabia. (S)

ORIGINAL CL BY Zbigniew Brzezinski
 DECL REFW ON 9/25/85
EXT BY/ID 6 YEARS BY _____
REASON _____

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DECLASSIFIED
Per: Rac Project
ESDN: NLC-12618-19-1-1
BY JLS NARA DATE 11/18/83

Harold Brown is looking at possibilities of substituting materiel from our own inventory in place of new purchases with long lead times. However, the Egyptian problem of mass obsolescence is so great that we cannot expect to remedy it by drawing down our own active inventories. For example, Harold believes we could find about 15 F-4s from USAF inventories to offer the Egyptians, but that is only a small percentage of what they need. We may be able to find a number of M-48 tanks to replace Egypt's aging Soviet equipment. However, this is an issue which will have to be worked out in subsequent discussions with the Egyptians as we help them pare down their priorities to about half of what they have identified as their "minimum" needs. (S)

Similarly, the proposal to adopt "cash flow" procedures in managing Egypt's military account recognizes that we would permit Egypt to borrow against future credits. There is some risk associated with such an approach, but it is the same risk we have already accepted in dealing with large programs for Israel and Jordan. The fact is that continuation of the present "full funding" procedures will severely limit the mileage Egypt can hope to squeeze out of available credits and will inevitably lead to requests for significantly higher aid levels. (S)

Jim McIntyre's suggestion of a joint State-Defense decision paper is a good one. Since most of the analytical work for such a paper has already been done in preparation for the PRC meeting, I recommend that the paper be completed for your review and decision no later than October 8 in order to provide ample time for necessary consultations on the Hill and preparation of our presentation to the Egyptians in early November. I am concerned that we not delay very long on this issue, in view of the pressures on Sadat to show concrete results from his new association with us -- pressures that are also related to the success of the peace process. Thus politically there is need for some urgency, whatever we decide. (S)

RECOMMENDATION: That a joint State/Defense decision paper be prepared for your review by October 8, examining the implications of a long-term military assistance program for Egypt along the lines proposed by the PRC, and alternatives. (S)

Approve
 Other

J
 Be cautious about
 excessive U.S. commit-
 ments. Budget constraints
 will be very severe.
 J.C.



MEMORANDUM

NATIONAL SECURITY COUNCIL

5439X

~~SECRET~~

POLICY REVIEW COMMITTEE MEETING
September 20, 1979

Time and Place: White House Situation Room
1630-1800 hours

Subject: Egyptian Military Supply Relationship (U)

Participants:

State

David Newsom (chairman)
Under Secretary for Political Affairs
Lucy Benson, Under Secretary for Security Assistance, Science
and Technology
Harold Saunders, Assistant Secretary, Bureau of Near Eastern
and South Asian Affairs

OSD

Secretary Harold Brown
Graham Claytor, Deputy Secretary
David McGiffert, Assistant Secretary, International Security Affs.
Robert Murray, Deputy Assistant Secretary, Near Eastern African,
and South Asian Affairs

JCS

Lt. General John Pustay, Assistant to the Chairman

DCI

Admiral Stansfield Turner
Robert Ames, NIO for Near East and South Asia

OMB

John White, Deputy Director
Bowman Cutter, Executive Associate Director for the Budget

ACDA

Spurgeon Keeny, Deputy Director
Barry Blechman, Assistant Director, Weapons Evaluation and
Control Bureau

White House

David Aaron

NSC

Robert Hunter
Gary Sick
Robert Kimmitt

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Review on September 20, 1985

DECLASSIFIED

Per, Rac Project

ESDN: NLC-126-18-19-2-1

BY KS NARA DATE 11/18/13

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SUMMARY OF CONCLUSION

The PRC recommended (with OMB to comment separately) that a U.S. delegation resume talks with the Egyptians in early November. This delegation should be authorized to discuss a five-year U.S.-Egyptian military supply relationship based on a proposed level of U.S. support as follows:

1. \$350 million of additional credits in FY 81.
2. Cash flow financing of the Egyptian program.
3. \$800 million in credits per year for five years (FY 82-FY 86).
4. Approval in principle to sell F-16 aircraft and M60A3 tanks. (S)

Discussion

Secretary Brown reported to the PRC on the results of the high-level delegation which visited Egypt in mid-August for discussions with the Egyptian military leadership, and on subsequent discussions he had conducted with Vice President Mubarak in Washington. It was his judgment that Egypt has very substantial legitimate security needs. Given the withdrawal of Arab financial support from Egypt, the fact that Sadat has in effect burned his bridges by turning to us, and our own political commitment to Egypt as part of the on-going peace process, he saw no alternative to the United States accepting a major program of support for Egypt for some time to come. This analysis was endorsed fully by the Department of State, the JCS, and the NSC. Admiral Turner added that, without substantial U.S. support, Sadat might be in trouble domestically. (S)

Secretary Brown noted that Egypt was previously reported to be receiving \$800 million per year from Arab sources. That funding was assumed to be available when we proposed the \$1.5 billion, three-year "Peace Package" for Egypt. Although Egypt has requested at least \$8 billion of military equipment, our own analysis of Egypt's security needs indicates that it requires a military program of about \$4 billion through FY 86. He proposed that the United States consider a program of FMS credits over a five-year period (FY 82 through FY 86) of \$800 million per year. He also noted that some additional assistance would be required before FY 82 in order to permit Egypt to begin working out its military priorities and to begin placing orders. Otherwise, there would be no tangible

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progress on the Egyptian program during the next two critical years. He proposed that this be accomplished in two ways:

-- That we agree to finance the Egyptian program on a "cash flow" basis. This procedure, which is now used with Israel and Jordan, permits available credits to be used to cover actual expenses in a year, with the implicit understanding that additional credits will be available in future years. (The Egyptian program is now handled on a "full funding" basis in which credits are set aside from the start to cover the entire cost of a program.) By shifting to the cash flow basis, some of Egypt's credits under the \$1.5 billion "Peace Package" would be freed to cover start-up costs on additional programs.

-- That an additional \$350 million in credits be added to the FY 81 budget. This additional increment, plus cash flow funding, would smooth out the two-year gap until additional funds became available in FY 82. If this course of action were adopted, we would have to explain to Congress that the withdrawal of Arab support from Egypt required us to request additional funds before the end of the three-year period previously anticipated for the "Peace Package." It would also provide leverage for Israel to request an increase in its own funding level. (S)

All agencies except OMB agreed that this level of funding was consistent with Egypt's needs. OMB representatives stated that they would want to take a much closer look at the concept of cash flow funding. OMB indicated that they would submit their comments on this and the budgetary implications of this very large proposal to the President separately since they had not had time to study it sufficiently. (S)

OMB questioned the need to seek a decision on this issue now, rather than during the regular budget review process in December. Secretary Brown noted that we had promised General Ali to resume talks in early November. At that time we would have to be able to provide some indication of the size of the program we were prepared to offer. It was also noted that the proposed sums--although very large--required an appropriation of only ten percent of the total amount as a credit guarantee. (S)

The PRC reviewed the list of items which Egypt has requested. All agreed that we could not support its request to purchase F-15 aircraft at this time. However, all agencies, including

ACDA, supported the OSD/JCS proposal that we indicate our willingness in principle to sell F-16 aircraft and M60A3 tanks to Egypt. Other items on the list, e.g. APCs, air defense, ships, etc., did not pose a significant problem in terms of arms transfer policy. The exact number, mix, and timing of any purchases would have to be worked out with Egypt. This program would not permit Egypt to purchase as much as they had requested, and further negotiations would be required to permit them to work out their own priorities. (S)

All agreed that consultations should be undertaken with the Congress as soon as possible after the President had had the opportunity to review the PRC recommendation and take a decision. We would probably wish to inform President Sadat personally of the President's decision at approximately the time we begin consultations on the Hill, but we should avoid leaks coming from Egypt before the Hill had been informed. (S)



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Department of Energy
Washington, D.C. 20585

September 27, 1979

①

MEMORANDUM FOR:

THE PRESIDENT

FROM:

CHARLES DUNCAN
HENRY OWEN *100*

cwef

SUBJECT: Trip Report

This memorandum reports on the results of the meeting of Summit Energy Ministers held in Paris on September 26, 1979 at President Giscard's initiative to assure fulfillment of the Tokyo agreements. The U.S. delegation was led by Charles Duncan and included Henry Owen and Dick Cooper.

At this meeting, the Tokyo Summit agreements and your July energy initiatives provided the basis for making progress toward securing country specific oil import commitments from the EC countries, as well as on several other Summit energy measures, and a better understanding by our partners of the importance of your July initiatives.

1. 1985 European National Oil Import Targets. The European Summit countries carried out their Tokyo commitment to specify 1985 national import targets. The five non-Summit EC countries also fixed their 1985 national targets. The intra-EC negotiation that led to agreement on these nine national targets was only completed halfway through our meeting; we were told that it might not have been completed at all without the pressure created by holding this Ministers' meeting. The European import ceilings are set at or slightly above 1978 import levels, except for Italy (which, you will remember, was granted exceptional treatment at Tokyo) and the Netherlands - both of which secured large increases. The 1985 European total is 472 million tons (approximately 9.5 MMB/D), which was the EC net import total in 1978. Within this total, the UK will move from its current position of being a net importer to becoming a marginal net exporter of 5 million tons (100 MB/D) in 1985. The four European Summit governments each made a political commitment at the Paris meeting to achieve the national ceilings that they specified. Although the targets of Italy and the

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ESDN: NLC-126-18-19-1.2

BY *1-5* NARA DATE *11/18/13*

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Netherlands are not sufficiently rigorous, they resulted from complicated intra-EC negotiations; taken as a whole the EC total is acceptable. We have gained considerable ground by the EC's adoption of the national target approach and by the stringency of the French and German targets.

2. North Sea Oil. The U.S. indicated, as did the Japanese and Canadians, that North Sea 1985 oil exports over the indicated 5 million tons could not be used to increase individual European country import targets for 1985. The UK took the same position and made clear, moreover, that if its 1985 exports went over 5 million tons it could give no assurance that these exports would go to the EC; British Energy Secretary Howell said this not only in the meeting but publicly at the press conference that followed. In private bilateral talks, the French and Germans disputed this US-UK view, saying that North Sea oil should be viewed as community property. The EC representative took the same position until Howell publicly outlined the UK view; after that, he told us the U.S. had won its point. This question will be discussed further when a small internal high-level group of the seven Summit nations and the EC meets early next month. This group will meet periodically thereafter, in accordance with the Tokyo Declaration, to monitor fulfillment of Tokyo import pledges.
3. 1980 European National Targets. We pressed for fulfillment of the Tokyo commitment to develop 1980 European national import ceilings. After some discussion, we were assured that this would be done, probably next month.
4. Japan. Energy Minister Esaki repeated to the meeting what he earlier had said in Washington to the Vice President: that Japan was planning to achieve the lower end of the 6.3-6.9 MMBD 1985 range that Japan had accepted at Tokyo. He repeated this statement of intent at the press conference, while protecting himself by pointing out that Japan's formal commitment remained within the 6.3-6.9 range.
5. U.S. Import Ceilings. The others seemed impressed by Secretary Duncan's description of measures being taken by the U.S. to restrict imports - particularly the 8.2 MMBD ceiling for 1979 and the fact that import quotas

would be used, if necessary, to achieve the 8.5 ceiling for 1980. The Paris press gave front-page treatment to this latter point, stressing Secretary Duncan's statement that these quotas would not require Congressional approval. This may have been an important step in increasing European awareness of U.S. energy policy. In fact, throughout the Ministerial and related bilateral meetings, it was the U.S. which appeared to be on the offensive in terms of meaningful commitments to action, and the Europeans who appeared to be on the defensive. This difference was less than at Tokyo, however, since all were committed to fulfill the Tokyo decisions.

6. Registration of Crude Oil Transactions. It was agreed, in accordance with the Tokyo Declaration, to activate immediately a system for monthly registration and publication of crude oil import transactions. Through this reporting of prices and terms on a cargo basis, we will increase market transparency, and thus inhibit the kind of speculative purchases that destabilized the market last spring. The International Energy Agency and the EC will study extending this system to all products and making it a fortnightly, instead of monthly, system.
7. Spot Market. The French made further proposals for surveillance of the spot market, including a Tokyo-Brussels-Washington hotline to discuss actual or impending violations of the Tokyo commitment to moderate use of the spot market. These proposals were referred to the IEA and EC for urgent study. The hotline idea may be useful.
8. Alternative Energy Sources. It was decided to activate the International Energy Technology Group agreed on in Tokyo, on the basis of a U.S. paper outlining the Group's charter. The Group will assess what each country is doing to develop alternative energy sources, and will explore possibilities for international collaboration, including financing. Its first meeting will be in late October or early November, and it will present its report to the Venice Summit.
9. Distillate Entitlement. In accordance with your decision, Secretary Duncan indicated that there would be no further extension of the \$5 distillate entitlement beyond October 31. This brought a very favorable reaction at the meeting and in the French press.

10. Conclusion. The French press treated the meeting as a large success in translating the Tokyo decisions into concrete actions earlier and more effectively than had been anticipated. Our view is more tempered. We made progress on specific European national import ceilings and other decisions to fulfill Tokyo commitments. But some of these targets (Italy's in particular) are too high. How rigorously the other European import targets bite will depend on whether the UK maintains its projected lower level of exports (designed to extend the life of its oil reserves), and whether the UK continues to insist (along with the U.S., Canada, and Japan) that any increase in exports over this level will not alter existing national European import ceilings. We will discuss how best to nail down this latter point and related matters with UK Secretary Howell when he visits Washington next week.

All in all, the Paris meeting was a promising start toward fulfilling the Tokyo energy commitments; we made all of the progress that could reasonably be expected; other participating governments were pleased. But a good deal of hard work still remains if effective implementation of the Tokyo decisions is to be assured.

NATIONAL SECURITY COUNCIL

Jusan Clough -

I'd like to have this
fan letter go to the
President, and hope you
are willing!

Linc Bloomfield

please make copy
and return the copy
to linc bloomfield....

original to central files

thanks--susan

SCHAFFER BROS. INC.

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October 1, 1979

057027

President Jimmy Carter
The White House
1600 Pennsylvania Ave.
Washington, D.C. 20500

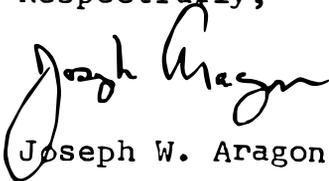
Dear Mr. President:

I hope you will accept my sincere congratulations on three exceptional appointments recently made by you. Esteban Torres, Abelardo Valdez and Edward Hidalgo are all outstanding individuals who will serve your administration and this country with the competence and integrity that has always characterized their careers.

During my two years at the White House, it was my privilege to work with each of these fine individuals and I can personally attest to their ability and dedication. By appointing them, you have chosen from the best in our community and our country. They will be a source of great pride to all hispanics and will once again underscore your continuing commitment to the appointment of persons of recognized excellence to your administration.

My greetings also to you from the sunny state of California where I remain your loyal supporter.

Respectfully,


Joseph W. Aragon

JWA/lis

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cc: Joe
Thank you, again - Jim
Sure they will do a
good job -
Jim

THE WHITE HOUSE
WASHINGTON

*Susan
Hess
AJ*

September 28, 1979

MEMORANDUM FOR THE PRESIDENT

From: Rick Hertzberg *RH*
Carol Coleman *CC*

SUBJECT: Film Message Honoring Jim Wright -- 10/1/79

Attached is a message honoring Congressman Jim Wright to be filmed Monday, October 1 at 1:00 p.m. Your remarks will be part of a 20 minute film and will follow footage of former Presidents John Kennedy and Lyndon Johnson mentioning Congressman Wright. Their remarks are serious in tone.

Also attached is the suggested text from the Congressman's office, which was personally approved by Mr. Wright. His Administrative Assistant wanted you to see it, but thinks either version is fine.

Happy Birthday!

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C. Coleman
R. Hertzberg
Draft # A-1
9/27/79

Filmed message honoring Congressman Jim Wright -- 10/1/79

ok
J

Jim Wright is a man I deeply respect. I admire his
courage and integrity. I trust his judgment.

During his twenty-five years in the House, Jim has shown
great vision. [Six] years ago he recognized the need for
America to become self-sufficient in energy. He called for a
program to produce oil from coal and for an energy trust fund
to develop alternative fuels. Today, our Nation is finally
moving ahead with those very programs.

pronunciation?

The people of Tarrant County know that Jim is a man who
makes responsible decisions, not only for Texas but for the
Nation as well. His colleagues ^{know they can} rely on Jim's leadership --

particularly on the difficult and complex issues -- *when courage*
and statesmanship are needed.

I am proud to count Jim among my good friends, and I am grateful for this opportunity to join you in honoring him this evening.

On behalf of all Americans, I wish to thank you, Jim, for a quarter-century of service to our country. And I send you my personal thanks for your counsel, advice and your loyal friendship.

#

Suggested Text
From
Congressman Wright's Office

The people of Tarrant County are very lucky to have Jim Wright representing them in Congress. Jim is a man I deeply respect -- for his integrity, his courage and his industriousness. I admire his ability to get things done ... for Texas, yes -- but also for the nation.

I have come to learn that Jim Wright is respected by all who know him. His colleagues elected him to be their leader because they've learned that they can trust him to do the responsible thing for America. They trust his judgment on such complex problems as inflation and energy.

Ever since 1973, when our nation was hit by the first energy crunch, Jim Wright has been calling for energy self-

sufficiency. Six years ago, Jim Wright called for a program to make oil from coal. Six years ago, Jim Wright called for an energy trust fund to develop other fuel sources. Today, the nation at last is moving ahead with these very programs.

I appreciate Jim's friendship. I appreciate his counsel and advice. And on this day when his fellow citizens honor him for a quarter-century of service, I want to join in saying thanks, Jim -- for many jobs well done.

#

11:45 AM

THE WHITE HOUSE
WASHINGTON

October 9, 1979

VIDEOTAPE MESSAGE FOR REP. JIM WRIGHT

Wednesday, October 10, 1979
11:45 a.m. (15 minutes)
The Roosevelt Room

From: Frank Moore *FM*

I. PURPOSE

To tape a two-minute segment which Congressman Jim Wright can use at a dinner honoring him.

II. BACKGROUND

This coming Saturday evening there will be a dinner honoring the Majority Leader for his 25 years in Congress. Part of the program will be a short film on his accomplishments during this time, and Wright has asked that you be a part of the film. Anne Edwards of Jerry Rafshoon's staff will be there to coordinate the taping, and Lillian Brown will do the make-up. The message will be on the teleprompter.

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THE WHITE HOUSE
WASHINGTON

10/1/79

Frank Moore

The attached was returned in the President's outbox today and is forwarded to you for appropriate handling.

Rick Hutcheson

cc: The Vice President
Al McDonald
Stu Eizenstat

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THE WHITE HOUSE
WASHINGTON

September 29, 1979

MEMORANDUM FOR THE PRESIDENT

FROM: FRANK MOORE *FM.*
DAN TATE
BILL CABLE

SUBJECT: Status - Continuing Resolution

(Sub Byrd)
cc Frank
The Senate should
probe every possibility
to act before
these raises go
into effect.
Let Fritz help
J

This memorandum describes the political situation in the House and Senate following defeat of the government-wide Continuing Resolution and recommends a course of action. A companion memorandum from OMB describes the impact of the current impasse on the government.

I. EVENTS OF LAST EVENING

Last night the Senate defeated the conference report on the Continuing Resolution. The vote was 55 against and 9 for. Probably the vote was much closer but, when it was evident that the conference report would fail, many Senators switched their votes from yea to nay.

The primary issues involved are abortion and the pay raise. The House abortion language tracks existing law and the Senate language is far more liberal. This is a long-standing battle which we have managed to stay out of.

The pay raise issue is more complicated. The Senate earlier this year lifted its self-imposed limitation on outside income -- in effect, a pay raise for those Members who chose to seek greater outside income. This action has resulted in a tacit understanding among many Senators that they would not seek a straight pay raise for themselves. On the other hand, the House is still under its self-imposed earnings limitation and many Members, including the Speaker, feel a pay raise is merited and necessary.

The fact that this is an intramural squabble is underscored by the events of last night. The Senate and House agreed that the House conferees would take the Senate abortion language back to the House and fight for its acceptances. The Senate felt the House conferees reneged on that agreement and was so outraged that it voted down the entire conference report. The Continuing Resolution is dead.

II. CURRENT SITUATION

The Speaker told us this morning that the House is unlikely to approve the Senate abortion language in return for Senate approval of its pay raise. He feels the right-to-lifers would charge House Members with "trading childrens' lives for twenty pieces of silver."

The Speaker strongly recommends against your calling the House back into a working session. He questions whether a quorum would return, and even if there was a quorum he believes those most intransigent would be the most likely to return.

We also spoke to the Majority Leader this morning. He agrees that the Continuing Resolution, in its current form, is dead. However, the Senate is considering attaching the text of the Continuing Resolution onto an FTC Continuing Resolution now pending in the Appropriations Committee on Monday or early Tuesday. This bill would then go back to the House for approval of the Senate amendments.

The House meets in a pro forma session on Tuesday, pursuant to technical requirements of the Constitution. If the Senate amendments include the House language on abortions and the pay raise, there is at best a possibility the House could approve the amendments by voice vote on Tuesday.

III. RECOMMENDATION

- A. We recommend that you not call the House back into session at this time.
- B. We recommend further that we encourage a meeting between the Speaker and the Majority Leader Monday afternoon when both are here to be briefed on Cuba. Deputy OMB Director John White should brief them on the fiscal situation. You need to be present only briefly. ~~Blank~~^{White}, White, Eizenstat and Scotty Campbell can represent you for the bulk of the meeting. Our role should be that of a catalyst.

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EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

C

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ACTION

MEMORANDUM FOR: THE PRESIDENT
FROM: John P. White *JAW*
SUBJECT: The Continuing Resolution

The consequences of beginning the fiscal year 1980 with ten appropriations bills unenacted and no Continuing Resolution will be felt by Monday, October 1. By October 8 some agencies will be forced to delay distribution of paychecks to employees. If Congress were to fail to provide authority to continue operations by Monday, the fifteenth of October, severe disruptions would occur and most payrolls covered by unenacted appropriations bills would be delayed. The attached table summarizes the amounts tied up in unenacted appropriations (\$332.2 billion) and the major agencies affected.

A
CHANGE

In the absence of a Continuing Resolution or other legislation capping pay, members of Congress, judges, and senior civilian and military officials will receive increases of 12.9% beginning on the first pay period on or after October 1. For most civilian officials the pay period begins on October 7. For senior military officials and judges that period begins on October 1. (This corrects information given to you orally this morning.) Since the compensation of sitting judges cannot be decreased by Congress, under the Constitution, the increase would remain in effect for around 675 judges once it is effected.

The approximate costs of the increase for a full year are:

- for 12.9%, \$98 million;
- for 5.5%, \$48 million;
- for judges at 12.9%, \$4.8 million;
- for judges at 5.5%, \$2 million.

You have the authority to limit salaries for Senior Executive Service regardless of the action or inaction of the Congress. However, it would be desirable to ascertain what Congress plans on this matter. This is because non-SES executives and very senior military people would continue to receive a 12.9% increase unless Congress grants a restrictive provision. You may wish to discuss with congressional leaders a limit of about 5.5% on the SES.

The following other problems will result if Congress cannot reach agreement on the Continuing Resolution.

On Monday, October 1:

- 4,000 Vista volunteers will fail to receive their bi-weekly allowance.
- Payments to state and local refugee programs and direct payments to refugees will cease October 1. Payments will also be delayed to voluntary agencies for refugee resettlement activity in the U.S. and care and maintenance of refugees in Europe, as well as the initial contribution to the Intergovernmental Committee for European Migration for transportation of refugees.
- The Women, Infants, and Children program will begin to be affected.

By Monday, October 8 (a holiday):

- Paychecks will be delayed for the Army, Navy, and the Marine Corps as well as the Office of the Secretary of Defense.
- Paychecks will also be delayed for staff of the American Battle Monuments Commission.
- Disaster relief activities conducted by the Department of Defense will be stopped.
- Worker's Compensation payments to 78,000 Federal employees will be delayed.
- Supplemental Security Income payments could be affected.
- Community Services Administration grants to State and local governments will not go out.

- Trust funds will be losing interest if Federal matching payments are not made.

By Monday, October 15

- Serious delays in meeting payrolls will result for virtually every affected agency.
- Many other serious delays will begin to occur affecting government programs. For example:
 - Payments to 135,000 Black lung beneficiaries will be delayed.
 - GI bill benefits and other veterans compensation and benefit programs will be delayed.

ATTACHMENT

MAJOR AGENCIES OR ACTIVITIES NOT FUNDED IN 1980 DUE TO
CONGRESSIONAL INACTION ON THE CONTINUING RESOLUTION

Appropriation Bill/Major Agencies	1980 Budget Authority Request (in billions)
Agriculture.....	18.3
Defense.....	132.3
District of Columbia.....	0.5
Foreign Assistance.....	9.2
Contingencies (Funds Appropriated to the President)	
Export-Import Bank	
International Development Assistance	
International Security Assistance	
Migration and Refugee Assistance	
HUD - Independent Agencies.....	72.8
HUD	
EPA	
NASA	
VA	
Disaster Relief	
Office of Revenue Sharing (Treasury)	
Interior.....	8.5
Energy (conservation programs)	
Interior	
Strategic Petroleum Reserve (Energy)	
Labor/HEW.....	73.7
Labor	
HEW	
Community Services Administration	
Legislative.....	1.0
Military Construction.....	3.7
Transportation.....	9.8
DOT	
U.S. Railway Association	
Panama Canal Commission	
Unauthorized programs.....	2.4
TOTAL.....	332.2

THE WHITE HOUSE

WASHINGTON

01 Oct 79

The First Lady

The attached was returned in
the President's outbox. It is
forwarded to you for your
information.

Rick Hutcheson

4221

FOR STAFFING
FOR INFORMATION
FROM PRESIDENT'S OUTBOX
LOG IN/TO PRESIDENT TODAY
IMMEDIATE TURNAROUND
NO DEADLINE
FOR APPROPRIATE HANDLING
LAST DAY FOR ACTION

ADMIN CONFID
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ACTION
FYI

VICE PRESIDENT
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EIZENSTAT
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DUNCAN
GOLDSCHMIDT
HARRIS
KREPS
LANDRIEU
MARSHALL

MILLER
VANCE
BUTLER
CAMPBELL
H. CARTER
CLOUGH
CRUIKSHANK
FIRST LADY
FRANCIS
HARDEN
HERTZBERG
HUTCHESON
KAHN
LINDER
MARTIN
MILLER
MOE
PETERSON
PRESS
SANDERS
SPETH
STRAUSS
TORRES
VOORDE
WISE

Ros
J

THE WHITE HOUSE
WASHINGTON

Jan -

make note -

E Ros -

We promised these

groups a visit

to the W.H.

J

THE WHITE HOUSE

WASHINGTON

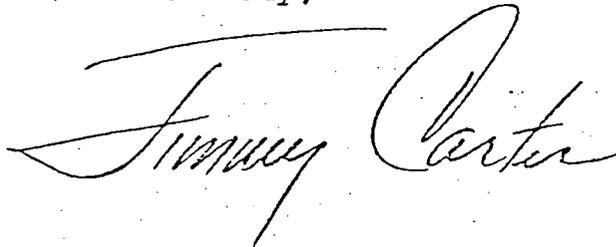
July 18, 1979

To Virginia and Marvin Porterfield

Rosalynn and I appreciated your gracious hospitality and your ready understanding of the reasons for our unannounced visit to your home. We enjoyed meeting you and your friends. The discussions we had were very helpful to me.

I hope you will convey our thanks and best wishes to the other participants and accept our warm regards to both of you.

Sincerely,

A handwritten signature in cursive script that reads "Jimmy Carter". The signature is written in dark ink and is positioned below the word "Sincerely,".

Mr. and Mrs. Marvin Porterfield
200 Red Hill Road
Martinsburg, West Virginia 25401

THE WHITE HOUSE

WASHINGTON

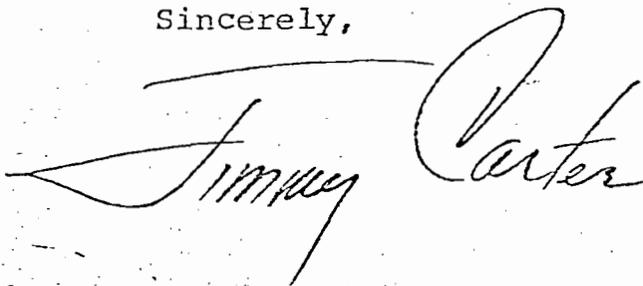
July 18, 1979

To Bette and Bill Fisher

Rosalynn and I appreciated your gracious hospitality and your ready understanding of the reasons for our unannounced visit to your home. We enjoyed meeting you and your friends. The discussions we had were very helpful to me.

We join in sending you--and Allison--our warm regards, and we hope you will convey our thanks and best wishes to the other participants.

Sincerely,

A handwritten signature in cursive script that reads "Jimmy Carter". The signature is written in dark ink and is positioned below the word "Sincerely,".

Mr. and Mrs. William Fisher
723 Charles Street
Carnegie, Pennsylvania 15106

THE WHITE HOUSE
WASHINGTON

7/19/79

dan lee
karen russell/jim king

attached are copies of signed
presidentials for pennsylvania
and west virginia -- for your
files.

president's note is informational
re future visit....copy of which
am also giving to phil/fran
for their 'coordination'.

thanks--susan clough

cc: phil wise/fran voorde

THE WHITE HOUSE
WASHINGTON

01 Oct 79

FOR THE RECORD

JIM WALL RECEIVED THE ORIGINAL.

4217

cc Tim wall
I have his address
on my calendar

from the desk of

JAMES M. WALL

Rich,

This is a piece I
did for the Chicago
Treasure. You might
want to share it
with the President -

I'll be in Washington
Thursday and Friday and
will give you a call -
By the way, we'll win -

J. Wall

Carter still strong at grass roots

By James M. Wall

WHEN SEN. Ted Kennedy's scenario reached its "I may have to run to save the country" stage, I began contacting workers from Jimmy Carter's 1976 campaign to see if they had turned their allegiance to the glamorous figure from Massachusetts.

It would not have surprised me to discover that a few might have joined the draft-Kennedy effort, which has been under way in Illinois since spring.

I found no defectors. In fact, the Carter workers wondered why I hadn't called earlier, and wanted to know when Carter re-election staff members would come into the state to begin work on the 1980 primary.

Why have they remained loyal? The answers were consistent. They consider Jimmy Carter to be a man of integrity working in a hostile environment, determined to solve complex national and international problems. Yes, they will support him again even though the experts and opinion polls report his chances of re-election are about as bright as they were this time four years ago when most of the "early Carters" began signing on to work for his 1976 nomination.

This grass-root loyalty contrasts sharply with the prevailing Washington wisdom that Carter is weak, an inept leader, doomed to defeat in 1980. Polls taken outside Washington duplicate this verdict; a nice man who can't win. These polls, however, also report that respect for Carter remains high. In summary, Carter appears to be a nice man who should not be President. Washington wisdom so decrees.

I BELIEVE the public's regard for Carter's integrity and morality, coupled with a closer look at what he has actually accomplished in office, will lead to his renomination and re-election. It will require a fierce struggle with Ted Kennedy in the Democratic primaries and caucuses, and a close battle with the Republican nominee, but I believe he will prevail. How do I reach such a conclusion?

The answer lies in the source of Washington wisdom that Carter is inept. The President is not a weak leader; he has, however, failed in his early years in Washington to successfully court that crucial triumvirate — Congress, special interests, and federal bureaucracy — where Washington wisdom is formed.

When people ask me why columnists, reporters, and television commentators are so down on Carter, I think they expect me to respond that the national media has developed a dislike for the President. This isn't so. What has happened is that the sources for news in Washington have developed a dislike for the President because he didn't play their game for the first two years of his administration. He came to Washington determined not to deal and for a long while, he didn't.

Consider the House of Representatives, for example. That body has 435 members with more than 150 committee and subcommittee chairpersons. Each representative and each subcommittee has a staff. All of these people relate to one another in an incredibly incestuous manner. Experience "on the Hill" means a staffer knows what representative from what state travels which power circuit.

The "safe" members of the House — such as Democrats from Chicago or Republicans from the suburbs — don't really need votes or money because they seldom face serious opposition, but they do covet the perquisites of their position, which should include the ability to reach the President of the United States or his top aides at any hour of the day. Members from marginal districts like Rep. Abner Mikva (D., Evanston) must spend much of their time in quest of money and votes in order to be re-elected. But like their safe colleagues they develop expertise in particular areas — health care, transportation, energy, education, the Middle East, to name a few. In those areas they have contacts who want access to the White House or who want to feel they have a role in the interlocking activities of power in the capitol.

DEMOCRACY WORKS this way, always skirting the edge of corruption and dishonesty as Congress, the special interests, and the bureaucracy interact to make the legislative side of government actually work. The President

can inspire the public, but only the Congress can pass laws. In Washington, power is exercised through complicated procedures, but it is also pushed forward through little touches of favors and friendship. A local mayor needs his picture taken with the President; a trade association wants support on a labor bill; a lobbyist drafts an important amendment and expects two tickets to the inaugural ball. These are the "favors" that grease the machinery that runs the government that serves the people.

FOR ITS FIRST two years in Washington, the Carter administration simply did not dispense these favors. Inexperience, arrogance, and very possibly a deep conviction that government shouldn't have to work this way led to a dry period during which the President's honeymoon with Washington turned into a nightmare of rejection. The result: stories leaked or told outright designed to undercut the President's image as either a good or competent man.

When things went badly, as they did with the Bert Lance affair, there were no friends in the capital to privately

The President is not a weak leader; he has, however, failed to successfully court that crucial triumvirate where Washington wisdom is formed.

tell media contacts that Jimmy Carter was an effective leader who slipped on this one, but would recover. Richard J. Daley used to say that every President had to have political allies who would stand up for him when he made his inevitable mistakes. Carter, the newcomer to town, had none.

Look at the record of the Carter administration and then look at the criticism repeated at every opportunity. ("Today Hamilton Jordan did . . . it wasn't the first time." . . .) The negative litany is almost exclusively focused on staff and procedures. Cumulatively, Washington "old hands" who were not properly courted at the outset begin to make the case for incompetence. It was like the case for Gerald Ford's stumbling. (Remember? Our most athletic President in memory was saddled with the image of a stumbler.) Carter's incompetence becomes Washington gospel.

IT IS NOT Ted Kennedy's economic policies, which are as liberal as any George McGovern ever devised, that make him so attractive to Washington's official Democrats. These same Democrats are not about to permit his big-spending legislative proposals to become law. Kennedy knows this and can be expected to begin disappointing his most liberal supporters before Christmas.

Kennedy is loved by Washington pols because he is one of them; he belongs to a family that knows how to deal.

I met a lady during the 1976 cam-

paign who assumed my involvement with Jimmy Carter would lead to a high government post. Her husband, she explained, had worked for John Kennedy in 1960. The morning after his election, Bobby Kennedy was on the phone to her husband, asking "What do you want?" An interest in foreign affairs was expressed. "You've got it," Bobby responded. The man later served as ambassador to an African nation. I had to tell her that one of the first things Jimmy Carter said to me was that he made no promises to his supporters except to be a good President.

SEEKING MY support for his boss before I signed on in the summer of 1975, Hamilton Jordan took me to breakfast in Atlanta. Knowing I was a card-carrying McGovern liberal reformer, Hamilton went into considerable detail to tell me about then-Gov. Carter's refusal to deal with a Georgia state senator on a vote. Hamilton misread this McGovern reformer. I learned the real meaning of "dealing" in the 1972 McGovern campaign when we failed to properly deal with the Chicago organization over its seating at the Miami convention.

Jordan's story to me about the state senator was not made up to curry my support; he was telling the truth. Unfortunately it is a truth that has hampered Carter's ability to govern in a city where favors are crucial to the operation of government.

JIMMY CARTER is the best one-one campaigner I have ever met, but he has never been comfortable with dealing. During his 1976 campaign I was with him at the Blackstone Hotel when a lone figure came around the corner of the suite. Richard J. Daley had arrived for a private session. I excused myself and waited in another room, hoping the future President would not forget to mention to the mayor that we had to have a suburban Democratic Carter woman as vice chairperson of the Illinois delegation to the convention, and another Carter supporter named as a member of the Democratic National Committee.

After that meeting Carter said nothing to me about these two matters. But within a few days the mayor called and confirmed that both names would be selected with the backing of the Chicago organization. Any other presidential candidate would have taken special delight in letting me know I had gotten what I wanted.

Carter is certainly a man of principle and before he came to Washington, as well as during his first two years, his principles kept him from political dealing. Now experience has taught him a bitter lesson: Washington runs on political deals. I think he has learned that lesson well. I hope it is not too late to apply it.

Based strictly on what he has done in office, Jimmy Carter would be re-elected. Inflation and energy remain our two major problems, but neither of these troublesome topics engender in the public the types of intense feelings that Viet Nam, Watergate, and civil rights protest did in the past.

Jim!
Thank you!
We're now
doing
better
w/ the
Congress.
Jimmy



James M. Wall was chairman of Jimmy Carter's 1976 presidential campaign in Illinois. A resident of Elmhurst, he is active in politics and has been editor of the Christian Century magazine since 1972.

He has learned a lesson, but can he apply it?

Bill Garner, Memphis Commercial Appeal
Ch. 2090, TRIBUNE
9/25/79

THE WHITE HOUSE
WASHINGTON

10/1/79

FOR THE RECORD:

THE LETTERS WERE GIVEN TO HENRY OWEN
FOR DELIVERY.

EV SMALL WAS GIVEN A COPY.

P.

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

October 1, 1979

Mr. President,

The fact that there's going to be an ISTC is largely your work (as the London Economist recently noted in an appreciative editorial), so I'm ashamed to ask for further help.

We face, however, a serious problem: A majority of the full Appropriations Committee, which will meet tomorrow morning to consider the recommendation of Senator Inouye's Sub-Committee to provide \$19 million for ISTC voted against ISTC on the floor. We have to turn around the votes of at least five members of this Committee in order to beat back a proposal to eliminate funds for ISTC.

The undecided members are (in order of seniority): Stennis, Byrd (West Virginia), Proxmire, Hollings, Bayh, Johnston, Burdick, Sasser, Durkin, Bellman, Weicker.

If you could phone, or drop a short note, to Senators Sasser, Bumpers, and Hollings, it would be enormously helpful.

I attach notes to these three Senators at Tab A. If your office will let me know that you have signed these notes, I will have them hand delivered immediately.

These notes begin with a reference to the multilateral bank issue, which I know you will also want to mention in any phone call.

I have cleared this request to you with Bob Beckel in Frank Moore's shop.


Henry Owen

P.S. I have cleared the letters with Rick Hertzberg.

THREE SIGNATURES REQUESTED

THE WHITE HOUSE

WASHINGTON

October 1, 1979

Dear Senator Hollings:

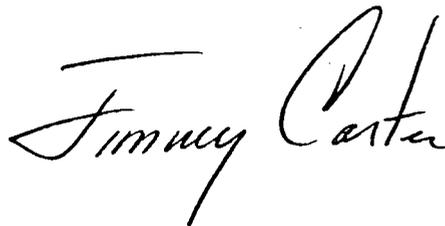
I know that you will be voting on the foreign aid appropriation Tuesday.

You know my view as to the vital necessity of eliminating the restrictions that the House imposed on use of our contributions to the multilateral banks -- and of providing generous funding for these essential instruments of development aid.

I want also to draw your attention to another issue: I hope that you will support the subcommittee's recommendation for \$19 million for the Institute for Scientific and Technological Cooperation. This relatively small sum comes under my aid ceiling; it's not an increase in aid, but a way of using it more effectively. It will do good out of all proportion to its size, in helping developing countries carry out research on such problems as energy, health, and agriculture, through an Institution specifically suited to this task.

Dollar for dollar, nothing in the aid program will produce greater results. In helping these countries to produce more energy, moreover, this Institute will contribute directly to the well being of the United States, itself.

Sincerely,

A handwritten signature in cursive script that reads "Jimmy Carter". The signature is written in dark ink and is positioned to the right of the typed name.

The Honorable
Ernest F. Hollings
United States Senate
Washington, D.C. 20510

THE WHITE HOUSE
WASHINGTON
October 1, 1979

Dear Senator Bumpers:

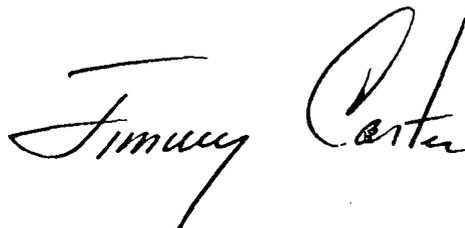
I know that you will be voting on the foreign aid appropriation Tuesday.

You know my view as to the vital necessity of eliminating the restrictions that the House imposed on use of our contributions to the multilateral banks -- and of providing generous funding for these essential instruments of development aid.

I want also to draw your attention to another issue: I hope that you will support the subcommittee's recommendation for \$19 million for the Institute for Scientific and Technological Cooperation. This relatively small sum comes under my aid ceiling; it's not an increase in aid, but a way of using it more effectively. It will do good out of all proportion to its size, in helping developing countries carry out research on such problems as energy, health, and agriculture, through an Institution specifically suited to this task.

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Sincerely,

A handwritten signature in cursive script, reading "Jimmy Carter". The signature is written in dark ink and is positioned to the right of the typed name.

The Honorable
Dale L. Bumpers
United States Senate
Washington, D.C. 20510

THE WHITE HOUSE

WASHINGTON
October 1, 1979

Dear Senator Sasser:

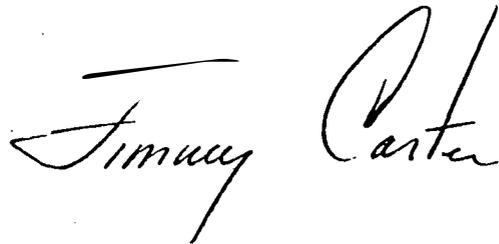
I know that you will be voting on the foreign aid appropriation Tuesday.

You know my view as to the vital necessity of eliminating the restrictions that the House imposed on use of our contributions to the multilateral banks -- and of providing generous funding for these essential instruments of development aid.

I want also to draw your attention to another issue: I hope that you will support the subcommittee's recommendation for \$19 million for the Institute for Scientific and Technological Cooperation. This relatively small sum comes under my aid ceiling; it's not an increase in aid, but a way of using it more effectively. It will do good out of all proportion to its size, in helping developing countries carry out research on such problems as energy, health, and agriculture, through an Institution specifically suited to this task.

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Sincerely,

A handwritten signature in cursive script, reading "Jimmy Carter". The signature is written in dark ink and is positioned to the right of the typed name.

The Honorable
James R. Sasser
United States Senate
Washington, D.C. 20510

THE WHITE HOUSE
WASHINGTON

01 Oct 79

FOR THE RECORD

EIZENSTAT RECEIVED A COPY
OF THE ATTACHED.

THE WHITE HOUSE

WASHINGTON

September 29, 1979

Electrostatic Copy Made
for Preservation Purposes

MEMORANDUM FOR: THE PRESIDENT
FROM: STU EIZENSTAT *Stu*
SUBJECT: The Attached Letter to Mr. Kirbo

The question of "corporate democracy" is an old and much debated issue. Several comments:

1. Private corporations are a creature of State law. As a result, the rights of stockholders to elect directors and/or officers is governed generally by State, not Federal law. The stockholders elect the directors and the directors select the officers, including the chief executive officer. The directors have a fiduciary obligation to represent the interests of the stockholders, and State law generally defines the rights of stockholders to proceed against directors who do not discharge this duty faithfully. Accordingly, the statement in the letter that: "Stockholders have no representatives on the corporate board" is an exaggeration.
2. As a practical matter, however, it is true that the chief executive officer often has an important voice in determining the directors who will stand for election. (This should not be surprising since the chief executive officer has to work directly with, and report directly to, the board.) As a result, many corporate boards are not totally "independent" of the chief executive. Critics, such as the writer of the attached letter, argue that this amounts to "unchecked power" by the chief executive, leading to self-favoritism and incompetent decisionmaking. The suggested cure is more stockholder power; in this view, stockholder power, however implemented, would be a check on management power.
3. Supporters of the current system (probably including the overwhelming majority of the business community) would argue that stockholder rights are, in fact, properly represented and that the present system best furthers the fundamental stockholder interest in a smoothly-functioning business. They argue that it is a fact of life that complex businesses can only be run well by full time, trained management. Owning

shares doesn't make the stockholders more competent or more knowledgeable than the management, or -- in practice -- even very interested in the corporation. If management decisions don't work out, the board can then fire the management, and the stockholders are always free to sell their shares.

4. Finally, even where the chief executive has a significant voice in determining which directors stand for election, that does not mean that the corporation becomes his "personal fiefdom". There is a large body of law and SEC regulation which circumscribes the chief executive's own fiduciary duty to the stockholders. There has also been a significant increase in numbers and activism among outside directors. More and more corporations are creating special committees of the Board to choose candidates for board membership and to choose the corporation's auditors and review its financial reports. The SEC has also been active in placing accountability for monitoring functions on the shoulders of the outside directors, expanding disclosure requirements for proxy statements, and in requiring disclosure to the beneficial owners of securities as well as to the record owners.

In short, this is a complex and difficult area. It is one where the States and the SEC have primary responsibility and I do not think it would be a useful area for a Presidential initiative.

I agree

**Electrostatic Copy Made
for Preservation Purposes**

WALLACE ASSOCIATES, INC. 4334 WEST CENTRAL AVENUE TOLEDO, OHIO 43615

August 13, 1979

Mr. Charles Kirbo
King & Spalding
2500 Trust Company Tower
Atlanta, Georgia 30303

*Sta-
ASSCS
J*

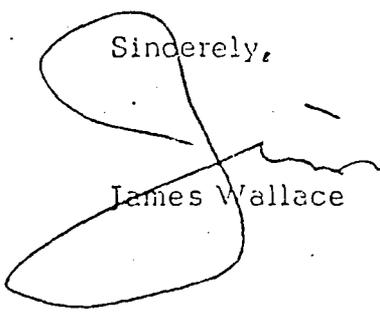
Dear Charley,

The Chrysler situation is an ideal opportunity to solve a fundamental problem of American industry.

There is no question in anyone's mind that Mr. John Riccardo, the Chief Executive Officer of Chrysler made a fatal judgement several years ago when he failed to recognize the impact of small imports and the need for fuel economy. Despite this massive death blow to Chrysler- Mr. Riccardo continues to command and draw his generous salary and perquisites. Mr. Riccardo therefore has kindly paved the way for a public airing of the "captive board". Stockholders have no representatives on the corporate board. Its normally selected by - and tightly controlled by - the Corporate Chief Executive Officer. The net effect of this lack of stockholder representation is a personal fiefdom for many company politicians who do not also happen to be good chief executives.

It's an opportunity to clean up a problem that affects a goodly portion of the private sector. You might call it "pin the tail on the donkey". Politically - it should be very popular. Millions of stockholders and employees of all industry should be delighted.

Sincerely,


James Wallace

CC: Mr. Hamilton Jordan
Mr. Jack Izard

JW:dd

THE WHITE HOUSE
WASHINGTON

10-1-79

To Bob Lipschutz

It is with deep personal regret and a sense of loss that I accept your resignation as White House General Counsel and Counsel to the President.

There is no way I can adequately express my appreciation to you for your sound personal and official advice to me. Your contributions to my administration and to the nation have been invaluable.

Over the years, we have shared a lot together - the early days in Georgia, my foreign campaign, my many nights spent

in your home in Atlanta, and
the personal things (like my help-
ing you prepare to Betty).

Now you will be contin-
uing the same close relationship,
and not leaving my close circle
of friends and advisors.

I know that I can count
on you to continue my human
rights policy in this country
and abroad and our mutual
search for a comprehensive
peace in the Middle East.
Your contributions to these two
goals are too valuable for
me to lose.

Give my love to Betty
and your children.

Your friend,

Jimmy Carter

THE WHITE HOUSE

WASHINGTON

September 29, 1979

President Jimmy Carter
The White House
Washington, D. C.

Dear Mr. President,

Pursuant to our earlier discussions I herewith formally submit my resignation as Counsel to the President, to become effective at the close of business tomorrow.

For me this experience has been meaningful and satisfying ever since you first asked me in January of 1977 to serve you and the nation in this capacity. We have worked together in many ways to reach goals of great importance to you, to me, and to the American people. At this moment I would recall a few which I consider particularly significant.

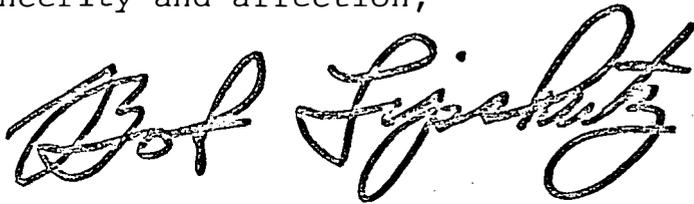
First, we have made great strides in restoring the faith of the American people in the integrity of their government, and particularly the Presidency. We have gone a long way in establishing "the ethics of our fathers" in the minds and consciences of all public servants.

Next, by implementing with sincerity and determination "affirmative action" in both the Executive and Judicial branches of our government, we have - for the first time in the history of our nation - firmly implanted historic and lasting principles within the American social structure. Henceforth every American citizen can feel more confident that we really are a nation with equal opportunity for everyone, regardless of race, sex, religion, or national origin.

Finally, your dedicated effort to bring peace in the Middle East between Arabs and Jews deserves the gratitude of not only Americans, Egyptians and Israelis, but also of decent people throughout the world. I am proud to have been a participant in this noble and rewarding effort.

I am leaving your official White House staff with mixed emotions. However, I will remain what I have been for many, many years: a loyal friend and helper in your continuing efforts to do the best you can during the one life you have on this Earth.

With sincerity and affection,

A handwritten signature in cursive script, reading "Bob Finkelstein". The signature is written in black ink on a white background. The letters are fluid and connected, with a prominent "B" at the start and a long, sweeping tail on the "t".

THE WHITE HOUSE
WASHINGTON
10/1/79

The Vice President
Hamilton Jordan
Al McDonald
Jody Powell
Lloyd Cutler
Anne Wexler
Stu Eizenstat
Sarah Weddington
Frank Moore
Hedley Donovan
Jack Watson
Alfred Kahn
Jim McIntyre

Re: Cabinet Summaries

The attached were returned in the
President's outbox today and are
forwarded to you for your information.

Rick Hutcheson

EYES ONLY

4216



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for Preservation Purposes

cc AI
J

Department of Energy
Washington, D.C. 20585

September 29, 1979

MEMORANDUM FOR: THE PRESIDENT

FROM: CHARLES W. DUNCAN, JR. *CWJ*

SUBJECT: Weekly Activity Report
September 24 - 28, 1979

1. Energy Ministers Meeting: The meeting was held in Paris on Tuesday and Wednesday of this week. You have received a detailed trip report by separate memo.
2. Energy Policy Coordination: The Executive Council of the Energy Coordinating Committee has been meeting regularly every Friday to plan legislative strategy and to make decisions on policy questions. I will meet with Secretary Harris and CSA Director Olivarez on Monday to discuss low income assistance. I will meet with EPA Administrator Costle and CEQ Chairman Speth, also on Monday, to discuss their views with respect to several conservation initiatives that the ECC Executive Council is considering and the possible acceleration of oil to coal conversions.
3. Home heating oil: The supply situation remains quite good. We should achieve the 240 million barrel target by mid-October. I have attached a more detailed report.
4. State Governors: I will be meeting with 17 governors at a meeting of the Southern Governors Association in New Orleans on Tuesday of next week. I will also be touring some energy conservation projects there and visiting the regional office of the Strategic Petroleum Reserve located there.
5. Import Quota Implementation: On Wednesday, October 3, DOE will publish the proposed alternatives for implementing the crude oil import quota. It is likely that there will be adverse reactions from consumer interests. Prior to publication we will notify the Senate and House members of the energy committees and the state governors. Stu Eizenstat's staff will coordinate notification of other organizations and interest groups. Secretary Miller and I would like to discuss this issue with you at an early opportunity. I am endeavoring to arrange this.

6. Nominees: I have eight nominees awaiting White House staff clearance (Messrs. Curtis, Lewis, Fumich, Frieman, Stelson and Cunningham, Dr. Davis and Ms. Rollins). I am very anxious to get these nominations sent forward because the Senate Energy Committee has tentatively agreed to one hearing for all nominees. This would permit me to get the new organization on stream more quickly.

AF
expedite

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THE SECRETARY OF THE INTERIOR

Electrostatic Copy Made
for Preservation Purposes

WASHINGTON
September 28, 1979

cc Ham
Frank
Stu
J

MEMORANDUM TO THE PRESIDENT

From: Secretary of the Interior

Subject: Major Topic for the Week of September 24

Earlier in the week I met with Congressman Rahall, Ben Lusk, Executive Director of Mining and Reclamation Council, and John Golden. All profess to be strong supporters of yours. Initially, they were lobbying me to drop my opposition to the Rockefeller Amendment which will be presented among other amendments to the Surface Mining Act, now before the House Interior Committee. The Rockefeller Amendment is perceived as a States' Rights Amendment and is supported by most coal mining states in the East.

Politically speaking, I see an untenable political choice coming down the track toward you. If Representative Rahall and Mr. Lusk are successful in getting the Rockefeller Amendment out of Committee and on to the House floor, I suspect it will be passed and sent to your desk. The environmental community has made this Amendment a symbol of the states' efforts to weaken the strip mining law, though it's debatable whether it would really do this. Nonetheless, we have to deal with their perception. If you sign the bill, I think it would further fracture our support within the environmental community and might give them cause to begin to desert your candidacy for re-election. If, on the other hand, you were to veto such an Amendment, you run the risk of incurring the wrath of Senator Byrd and the delegations from most coal mining states as well as a loss of support in key coal mining states. I am doing everything I can, therefore, to see that the so-called Rockefeller Amendment is kept bottled in Representative Udall's Committee so that you do not have to run the risk of making this kind of untenable choice. I think a word from you to Frank Moore and to Hamilton would be most helpful in making sure that friends like Ben Lusk and John Golden do not unwittingly do a disservice to you. There is no way to win this one if it arrives at your desk.

Levil



THE SECRETARY OF THE TREASURY
WASHINGTON 20220

September 28, 1979

C
/

MEMORANDUM FOR THE PRESIDENT

Subject: Highlights of Treasury Activities

1. THE DOLLAR

- . Depreciated further this week against the German mark and other major European currencies; strengthened against the Japanese yen.
- . Further pressure from Thursday's announcement of a \$2.4 billion August trade deficit.
- . Adjustment of official exchange rates in the European Monetary System last weekend did not curb upward pressures on the mark.
- . Market uncertainty due to rumors that OPEC at a finance ministers meeting in Vienna was considering a change in the unit of account to price oil.

2. MULTILATERAL DEVELOPMENT BANKS

- . FY 1980 MDB section of the Foreign Aid bill is scheduled for full Senate Appropriations Committee action on Tuesday, October 2. Action to restore \$200 million to the fourth replenishment to the International Development Association (World Bank group) will be considered.
- . Principal concern remains full Senate action. Senator Garn is likely to offer restrictive amendments and press for cuts restored in Committee.

3. PUBLIC DEBT CEILING

- . House agreed to increase the public debt limit by \$49 billion in a recorded 218 to 198 vote on Wednesday. Bill included Congressman Gephardt's proposal linking determination of the debt ceiling to the Congressional budget process.
- . Senate action is expected midday today.

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4. PRC-US CLAIMS/ASSETS AGREEMENT

- . PRC requested a delay in unblocking assets in the US from October 1, 1979 to December 1, 1979.
- . US and PRC have now agreed to extend unblocking until January 31, 1980, to allow the Chinese additional time to collate/analyze information being gained from the PRC State decree requiring registration of the claims.
- . Formal exchange of notes was done in Beijing today. No other modification was made to the original May 11, 1979 agreement.

5. WINDFALL PROFITS TAX

- . Senate Finance Committee took the following actions:
 - .. Voted unanimously (except Senator Nelson) to exempt newly discovered oil;
 - .. Voted unanimously (except Senator Nelson) to exempt incremental tertiary oil; and
 - .. Voted 12 to 8 to increase the tax rate to 75 percent on old oil.
 - .. Approved a series of expansive residential and commercial conservation and alternative energy source credits.
- . By week's end the Committee had approved over \$98 billion worth of tax credits without having considered low income or mass transit. It has also cut the net windfall profits tax from the House approved \$104 billion to \$80 billion by exempting newly discovered and tertiary oil. Still to be considered are exemptions for stripper and independent producers.
- . Next week expect crucial votes on exemptions for small producers and stripper oil.



G. William Miller

Mr. President:
I personally reported on other aspects of the dollar situation. Bill

THE WHITE HOUSE

WASHINGTON

September 29, 1979

MEMORANDUM TO THE PRESIDENT

FROM: ALFRED E. KAHN *Fied*

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SUBJECT: Weekly Activities Summary

Labor Accord/Second Year Program

By far the major part of our activities this week consisted in preparing and announcing the labor accord and second year wage and price standards. The Council staff worked devotedly night after night preparing all of the documents necessary for either contingency -- announcement of an accord or issuance of revised second-year standards.

My staff worked closely with CEA, Treasury, Al McDonald, Anne Wexler and other White House offices in a satisfyingly smooth announcement effort. Al and his staff coordinated the announcement activities and marshalled all of the resources of the White House superbly.

Bill, Charlie and I telephoned and met with major business leaders in advance, to explain the program and solicit support. (I was pleasantly surprised at the response. We elicited several public statements of support.) We also briefed our Congressional anti-inflation group at breakfast that morning, and telephoned the leadership and other Members in advance as well. These efforts bore fruit in a series of statements on the floor of both Houses in support of the accord and the second year program.

We are now at work with CEA and the other White House offices preparing a series of briefings, mailings and public discussions: this is the first real opportunity in a long time to say something new about the anti-inflation program and we intend to use it.

In Bill and Charlie's absence, I have assumed responsibility for coordinating EPG efforts, with Arnie Miller's office, to find suitable members for the advisory committees. We will move as fast as possible.

Regulatory Programs

We are working with the State of Florida to help them in a variety of ways with an upcoming special session of the legislature on trucking deregulation. We are also planning a broader effort focusing on state and local regulatory reform.

My staff has also been working with the Regulatory Council to clarify its carcinogen policy statement and with OSHA and the Solicitor General's office to strengthen the Government's support for economically rational regulation in the benzene case.

Energy

We continue to find evidence of non-compliance with our gross margin standard by petroleum refiners. Most of the cases in the second quarter of this year were relatively minor, but deviations in the third quarter, information about which we are just now receiving, may be much more serious. We are encountering what seems to be serious discrepancies between the reports we get from the companies, which suggest substantial compliance, and other evidence of sharp increases in refiner margins. We may have to have DOE's cooperation in checking the former; we will track this question down promptly.



THE DEPUTY SECRETARY OF TRANSPORTATION
WASHINGTON, D.C. 20590

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September 28, 1979

MEMORANDUM FOR THE PRESIDENT

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THROUGH: Rick Hutcheson, Staff Secretary

FROM : Linda Heller Kamm
Acting Deputy Secretary

Linda Kamm

SUBJECT: Significant Issues for the Week of September 24

Secretary's Travel - Secretary Goldschmidt is traveling this week at your request to urge support for the Administration's energy and anti-inflation programs. Following his trip to New York with you on Tuesday to speak to the American Public Transit Association, the Secretary proceeded to Pittsburgh and Boston to address meetings of the U.S. Steelworkers and Coalition of New England Municipalities.

Rock Island Line - Following your "back-to-work" order issued last week, the Interstate Commerce Commission on Wednesday issued its directed service order to restore interim service on the Rock Island line. The Commission's action directs the Kansas City Terminal Railway Company to operate the Rock Island line with Rock Island employees and equipment. If Kansas City Railway agrees to operate the road and pay prevailing wages as the ICC order directs, K.C.T. service should be started early next week. However, the question of paying prevailing wages is in dispute and a meeting is taking place today between Federal mediators and Kansas City Railway representatives to resolve this issue. We are monitoring the situation closely and will have recommendations if events do not proceed as expected.

Urban Mass Transit Funds - During the Secretary's visit to New York earlier this week, he reiterated your commitment--in an address to the American Public Transit Association--to see \$50 billion spent for public transportation over the next ten years. At your request, the Secretary also met with Governor Carey and, following that meeting, was able to announce jointly with the Governor a clarification of Administration support for a long-term solution to New York's transit problem.

Milwaukee Railroad - With bankruptcy facing the Milwaukee Railroad, a Federal judge on Wednesday issued an order allowing Trustees to stop service November 1 on the 5,800 mile western portion of the railroad's 9,800 mile system. An appeal is probable. The Interstate Commerce Commission is expected to order other railroads to take over services not provided by the Milwaukee.

Pressure for alternative solutions through Congressional action resulted in Senate approval on Thursday of a Milwaukee "rider" to the Continuing Resolution requiring full service until November 30, 1979. The Continuing Resolution, which is caught up in the House-Senate controversy over the Congressional pay raise and abortion, is before the House today.

In related action yesterday, the House Rules Committee cleared for floor consideration a joint resolution granting the Milwaukee until March 1, 1980 to implement an employee stock ownership plan and a 45-day extension of full rail service. We are continuing efforts to hold any extension period to a minimum.

Amtrak - Congress gave final approval Thursday to the Amtrak authorization bill extending authority for two additional years for Amtrak operating expenses and for three additional years for its capital expenditures program. Earlier House-Senate conferees deleted most of the provisions the Administration objected to in the legislation.

Trucking Deregulation - On Tuesday, October 2, Secretary Goldschmidt will testify before the Senate Commerce Committee on the Administration's trucking deregulation proposal with a particular focus on trucking services to small communities. The Secretary will stress the importance of the Administration's energy and anti-inflation efforts and our strong support for regulatory reform of the trucking industry. We have a commitment from Senator Cannon that he will act on trucking regulatory reform legislation early next year, and we will be working with Frank Moore to develop our strategy for enacting the Administration's proposal.



THE SECRETARY OF HEALTH, EDUCATION, AND WELFARE
WASHINGTON, D. C. 20201

September 28, 1979

MEMORANDUM FOR: The President
Attention: Rick Hutcheson, Staff Secretary

SUBJECT: Weekly Report of Major Departmental Activities

New DOEd -- Major Victory for Administration. Last Monday, the Senate passed the conference report on legislation to establish the new Education Department by a vote of 69 to 22. This action was followed by House passage of the report on September 27 by a vote of 215 to 201, thus clearing this important legislation for your signature.

Testimony Delivered on Low-Income Energy Assistance. During the week, I testified before the Senate Labor and Human Resources Committee and the House Ways and Means Public Assistance Subcommittee on the Administration's Low-Income Energy Assistance proposal. The program which I outlined was well received by both Committees, including our plan to assist low-income individuals this winter under the Economic Opportunity Act. Concern was expressed, however, about our intention to link the \$1.2 billion supplemental appropriation request for assistance payments to the enactment of the Energy Security Fund and the windfall profits tax.

National Health Plan Sent to Capitol Hill. On Tuesday, September 25, I sent to Congress legislation to carry out the Administration's proposed National Health Plan. The measure was introduced in the House by Congressman Rangel and co-sponsors Jim Corman and Harley Staggers. Senator Ribicoff introduced the legislation in the Senate. We also have been advised that Senator Long expects to resume Finance Committee markup of health insurance legislation on October 12.

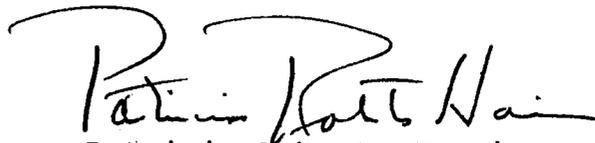
House Moves Closer to Enacting Hospital Cost Containment. By a 23 to 19 vote, a bill sponsored by Congressman Henry Waxman was reported out of the House Commerce Committee on Wednesday, September 26. This measure is consistent with the Administration's original proposal which was amended, with Administration support, and approved by the House Ways

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and Means Committee. The bill reported by the Commerce Committee and the one reported by Ways and Means will now be considered by the House Rules Committee to determine the precise manner in which the two bills will be considered on the House floor. Both bills would result in dramatic savings and support your efforts to curb inflation.

Chicago Notified of Unacceptable Desegregation Plan. A letter was sent to the Chicago school superintendent on Wednesday, September 26, setting forth the shortcomings found in the School Board's proposal. The letter restated our hope for a voluntary resolution, and it noted that litigation can be avoided if an acceptable plan is submitted by October 17. We will begin briefing the Department of Justice on the Chicago situation so that they will be prepared if the case has to be referred to them.

Outreach Activities Being Planned for HEW Client Groups. The Administration on Aging, in conjunction with the National Institute on Aging and the Federal Council on Aging, will hold a meeting of national aging organizations and other Federal agencies to discuss energy issues on October 30. In addition, a schedule of town hall meetings is being developed by the Social Security Administration to focus on SSA service delivery to Hispanic communities. The first meeting will be held in San Francisco and is designed to inform Hispanic people of SSA programs, to disseminate program materials, and to discuss the impact of SSA programs on Hispanic communities.


Patricia Roberts Harris



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

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September 28, 1979

MEMORANDUM TO THE PRESIDENT

THROUGH Rick Hutcheson
Staff Secretary

SUBJECT: Weekly Report

BEEF. In an attempt to keep their inflation rate below 20 percent, Mexico has halted the export of beef. We will reallocate Mexico's share of our beef quota to other suppliers.

USSR. Expecting a poor wheat harvest, Soviet authorities have started an extensive "waste not, want not" campaign to conserve bread. Schools are warning students not to throw away bread and keep scraps for "sukhari," a dry bread dish.

DULUTH. In spite of the strike (settled this week), Duluth's port capacity will allow them to exceed last year's tonnage of exports.

TEXAS. Kennedy's teasing is solidifying Carter/Mondale support in West Texas. The problem is that most organized efforts are directed toward Connally. (Spent three days there last week.)

A handwritten signature in black ink, appearing to read "Bob Bergland".

BOB BERGLAND

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U.S. DEPARTMENT OF LABOR

OFFICE OF THE SECRETARY
WASHINGTON, D.C.
20210

SEPTEMBER 28, 1979

MEMORANDUM FOR THE PRESIDENT

FROM: SECRETARY OF LABOR *for*
SUBJECT: MAJOR DEPARTMENTAL ACTIVITIES
SEPTEMBER 24 - 28

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THE MOST SIGNIFICANT DEVELOPMENT IN THIS WEEK
WAS THE CONCLUSION OF THE NATIONAL ACCORD.
CONGRATULATIONS MR. PRESIDENT!

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THE SECRETARY OF COMMERCE
WASHINGTON, D.C. 20230

September 28, 1979

LETTER TO THE PRESIDENT

FYI

You will be receiving the Export Administration Act, which expires on September 30, together with agency comments, this weekend. We were successful in eliminating from the bill provisions authorizing Congressional veto of foreign policy controls and in defeating a major threat to continuing trade with the PRC, USSR, and other communist countries posed by the amendment sponsored by Congressman Miller of Ohio.

After my appearance on your behalf on the eve of the opening of the World Administrative Radio Conference in Geneva, I met briefly this week with my European Community counterpart, Commissioner Davignon, in Brussels, with OECD officials in Paris, and with officials of Margaret Thatcher's government at a luncheon meeting hosted by Kingman Brewster in London. We discussed with Commissioner Davignon the implementation of the MTN Codes, which take effect January 1980, and in particular the necessity of consulting closely with the Community in order to manage the problems which may arise from a rash of countervailing duty complaints on behalf of U.S. industry. Davignon stressed that unilateral imposition by the United States of restrictions on shoe imports could jeopardize the ratification of the MTN trade accords by the European Community. He did, however, express willingness to consult on practical steps to deal with the surge of Italian shoe imports which is threatening our domestic adjustment program.

After extensive consultation with the Interior Department, we have withdrawn from our list of active marine sanctuary candidates a proposal to designate the whole of Georges Bank as a marine sanctuary based on environmental safeguards to be applied by Interior to upcoming lease sale 42. We still have serious concerns about the risk to fisheries posed by oil and gas leasing on Georges Bank, and we are continuing our discussions with New England environmental and fishing groups and the Massachusetts congressional delegation, which have been generally critical of our decision.

Daniel P. Henson III has been chosen to become the director of the Department's reorganized minority business program, the Minority Business Development Agency, effective November 1. Mr. Henson comes to Commerce from his position as Regional Director of the SBA's Region III. Also in the minority business area, the Department intends to establish an annual award beginning in 1980 to honor the outstanding minority business person in the U.S. This award will be named for the late Dr. Berkeley G. Burrell, past president of the National Business League.

Anticipating Congressional approval of your trade reorganization plan, we have already begun our internal reorganization so that we will be functioning effectively in our new structure by the end of the year.

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Juanita M. Kreps



CABINET ECONOMIC POLICY GROUP

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

September 28, 1979

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MEMORANDUM FOR THE PRESIDENT

SUBJECT: Economic Policy Group Activities

National Accord and Wage Price Program

During the entire week, members of the EPG were engaged in intensive consultations with labor leadership, business, and others on the formulation of the National Accord and the second year of the voluntary program of restraint on wages and prices. Our consultations reached a climax today in your announcement of the National Accord and the organization of pay and price advisory committees to assist in making our voluntary program more effective. Much work remains in the weeks ahead, but I am optimistic and confident that the National Accord will assist us in spurring our fight against inflation.

Oil Import Quotas

The EPG Deputies met on Monday to review the draft of a notice of inquiry soliciting public comments on alternative mechanisms to implement your decision on oil import quotas. The notice will be issued jointly by the Departments of Energy and the Treasury in the near future.

Communications and Liaison

The EPG Steering Group met with you on Wednesday to report on the economy generally and the status of the consultations. We hope to improve our communications with you and liaison with the White House staff. Randy Kau of my staff and I will be spending more time in the office space set aside for us in the East Wing of the White House in order to improve coordination of economic policy.


G. William Miller

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

September 28, 1979

MEMORANDUM TO THE PRESIDENT

FROM: Charlie Schultze ^{CS}

SUBJECT: Weekly Report

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Second-Year Anti-Inflation Program

Much of the week was devoted to working out the details of the program and the Accord with Labor. On Friday morning I met with staff representatives of the Chamber of Commerce, the National Association of Manufacturers, and the Business Roundtable. None were happy about being left out of the negotiations. However, only Dick Leshner of the Chamber seemed likely to be publicly critical. Later calls to Insurance Executives and Stock Exchange executives were much more positive. They were understanding of the Administration's need to work out some agreement with Labor and supportive of the program. If asked, they will respond positively (I have informed Ann Wexler). A number were relieved that Labor was participating in a voluntary program rather than demanding immediate mandatory controls.

Other

Tuesday September 25 I spent with businessmen in Rochester. I met with the local press, met with 50 CEOs, and spoke to 600 at a joint Chamber of Commerce-Rotary luncheon. They seemed understanding of the economic problems facing us. They were appreciative of an approach that showed promise without claiming to have all the answers.

On Thursday September 27 a small group of economists, headed by Larry Klein, who advise the CEA met with us. You have already been informed of their observations and conclusions.

Through Thursday of next week I will be in Belgrade at the meeting of the OECD's Economic Policy Group (which I chair). Lyle Gramley will be Acting Chairman in my absence.

Community WASHINGTON, D.C. 20506
Services Administration



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MEMORANDUM TO THE PRESIDENT

ATTENTION: Rick Hutcheson, Staff Secretary

FROM: Graciela (Grace) Olivarez

SUBJECT: Weekly Report of Significant
Agency Activities
(September 24 - September 28, 1979)

Handwritten signature/initials

Guide for Winter Disaster Planning

The Community Services Administration (CSA) has just sent all Community Action Agencies (CAAs) the attached booklet, "Still Coping with the Energy Crisis, A Preliminary Guidance for Winter Disaster Organization." CAAs will be using the booklet during the next few weeks to develop plans for the poor and the elderly to cope with high energy prices and possible fuel shortages.

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EXECUTIVE OFFICE OF THE PRESIDENT
COUNCIL ON ENVIRONMENTAL QUALITY
722 JACKSON PLACE, N. W.
WASHINGTON, D. C. 20006

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September 28, 1979

MEMORANDUM FOR THE PRESIDENT

FROM: Gus Speth *Gus Speth*
Jane Yarn

SUBJECT: Weekly Report

Year of the Coast and Water Policy Reforms. Both Jane and I made major speeches this week promoting your environmental programs. Jane was a principal speaker at the annual conference of the American Water Resources Association in Las Vegas. She emphasized the importance of your policy reforms and stressed the need for water conservation, especially in the West. At the annual meeting of the Coastal States Organization in Charleston, South Carolina, I underscored the gains that are likely to be achieved as a result of implementing the Environmental Message initiatives to protect our coastal resources. I also noted the need for international standards for offshore oil and gas drilling to prevent incidents like the Campeche Bay blowout.

Panama Canal Treaty and Department of Education. Congratulations on congressional actions this week creating the Department of Education and approving the Panama Canal Treaty.

*Thank you for the photograph and your note.
Gus*

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VETERANS ADMINISTRATION
OFFICE OF THE ADMINISTRATOR OF VETERANS AFFAIRS
WASHINGTON, D.C. 20420
SEPTEMBER 28 1979

TO : The President
THRU : Rick Hutcheson, Staff Secretary
FROM : Administrator of Veterans Affairs

[Handwritten signature]

VA Presidential Update

Welcome Aboard - I've written Energy Secretary Duncan offering full VA cooperation in carrying out your Federal energy program. I noted VA has been regularly cited by DOE as a leader in the energy field, and mentioned some of our accomplishments. These included reducing our gross energy consumption by over 17%; establishing specific energy consumption targets for each of our 172 hospitals for the next 5 years, and initiating major energy saving projects, including heat extractors at 50 facilities to recover 10 to 15% of all energy used in boiler plants.

Records and Savings - Our latest GI home loan reports show 72,000 appraisal requests received - the highest monthly total in over 22 years - and the lowest inventory of properties on hand since March 1961. We have put on a real drive to "cure" lagging loans before they go into default and the houses revert to VA. The "cure" rate was 85% at the end of FY '77; 87% at the end of FY '78, and now stands at 89%. Had the rate remained at 85% it would have cost VA an added \$130 million in claim payments. Even at 87%, it would have cost an extra \$60 million. Through aggressive sales efforts, we have further reduced costs and increased future revenues by reducing VA "take back" properties to a low of just over 9,700.

"No Way" - As I reported 8/30/79, the VFW - for the first time in its history - is establishing a Political Action Committee to jump into the political arena. VFW predicted the American Legion and DAV would follow suit, but these organizations disdained such a move. The Legion has said it is a service organization with "no plans to get into politics." The DAV has launched a campaign to make clear to the public "we have no intention of becoming involved in partisan politics."

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Office of the Attorney General
Washington, D. C. 20530

September 28, 1979

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Principal Activities of the Department of Justice
for the Week of September 22 through September 28, 1979

1. Meetings and Events

The Attorney General addressed the Justinian Society of Lawyers on the subject of white-collar crime, and received the Society's Man of the Year Award. He also met with Mr. Simon Wiesenthal of Vienna, Austria, who is engaged in the location of former Nazi war criminals.

2. Personnel

Ann Fleisher Hoffman, formerly Associate General Counsel of the International Ladies' Garment Workers' Union, joined the Department this week as Executive Assistant to the Attorney General.

3. Judicial Selection

There are currently 119 federal judgeship vacancies (83 under the new law and 36 regular vacancies). The President has signed off on 94 candidates for these vacancies and they are in various stages of the selection and nomination process. This leaves 25 vacancies (12 under the new law and 13 under regular vacancies) not yet presented to the President. Of the 94 candidates, 45 are pending at the Senate (37 under the new law and 8 under regular vacancies), 5 are pending at the White House (4 under the new law and 1 under regular vacancies), with the remainder still under evaluation. The Senate during this Congress has confirmed 78 judicial appointments (69 under the new law and 9 under regular vacancies).

4. McClure v. Carter and Kimmitt

The Department expects to file a motion in the near future to dismiss this case, in which the plaintiff seeks a declaration of the constitutionality of the appointment of Representative Abner Mikva to the U.S. Court of Appeals for the District of Columbia.

5. United States v. City of Philadelphia et. al.

In a reversal, Judge Ditter decided not to hold trial in this police brutality suit in October, and announced that he would give the United States four weeks' notice before setting a trial date.

6. Indictments

A federal grand jury in San Diego returned indictments against four Border Patrol agents of the Immigration and Naturalization Service on charges of beating and mistreating illegal aliens. The investigation is continuing.

A federal grand jury in Jacksonville, Florida returned a felony indictment against thirteen corporations and four individuals, charging them with conspiracy to fix the retail prices of gasoline in Florida.

7. LEAA Assistance to Atlanta

The LEAA, responding to a request from the city of Atlanta, commenced negotiations on a grant projected at \$545,000 to recruit and train Community Service Officers to do routine police work, allowing full-time police officers to concentrate on serious crime problems. The request arose out of the alarming increase in Atlanta's per capita crime rate, highest among the nation's forty largest cities in 1978.

8. Legislative Affairs

Both houses passed a bill extending the authority and limitations on authority contained in the Department's FY 1979 authorization act for sixty days or until an FY 1980 authorization act becomes effective.

Markup began on federal criminal code reform in the House Subcommittee on Criminal Justice.

The Attorney General testified before the House Subcommittee on Rules of the House concerning legislative vetoes, opposing them on constitutional grounds. Acting Associate Attorney General John H. Shenefield testified in support of the Lobbying Disclosure Act before the Senate Governmental Affairs Committee. Acting Deputy Attorney General Charles F. C. Ruff and other department officials testified before the Senate Judiciary Committee concerning the proposed FBI Charter.