

**12/28/79**

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**WITHDRAWAL SHEET (PRESIDENTIAL LIBRARIES)**

FORM OF DOCUMENT	CORRESPONDENTS OR TITLE	DATE	RESTRICTION
memo	<del>From Civiletti to The President (6 pp.) re: Ambush of U.S. Navy Personnel in Puerto Rico, Assassination of Judge John Wood and the Bombing of Cuban Mission in New York</del> <i>opened per RAC NLC-126-19-25-2-3 12/2/13</i>	12/28/79	A
memo	From Brzezinski to The President (one page) re: Weizman Visit to Washington and Aid to Israel	12/27/79	A
memo	From Schulze to The President (one page) re: Foreign Trade Figures for November	12/27/79	A
chart	1981 Budget	undated	A

**FILE LOCATION**  
Carter Presidential Papers- Staff Offices, Office of the Staff Sec. Pres.  
Handwriting File 12/28/79 BOX 161

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  - (B) Closed by statute or by the agency which originated the document.
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12/28/79

TO: FRANK MOORE

FROM: BILL SIMON

The attached was returned from the  
President's outbox.

NAME Stan Lundine (D-N.Y.-39)

178

TITLE Congressman

CITY/STATE Jamestown, New York

Requested by Frank Moore *F.M./BR*

Date of Request 12/17/79

Phone Number--Home (     )                     

Work ( 201 ) 225-3161

Other (     )                     

INFORMATION (Continued on back if necessary)

He has expressed his views about supporting your re-election effort "in time" but felt uncomfortable because of the flurry of activity among his supporters in recent weeks since Senator Kennedy's announcement. Recently, a member of his staff passed along to us the Congressman's concern that he has not been asked directly for his support and endorsement, nor has either campaign's organization even contacted him. While we did, in

NOTES: (Date of Call 12-23 )

*Non-Comm Hal*

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fact, talk with Mr. Lundine several weeks ago (see attached memo), we feel that a call from you now may be the final push he needs. As a follow-up to your conversation, we will arrange for someone from the campaign staff to contact him directly.

Attachment

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NAME Rev. Lamar Keels

277

TITLE President, Arkansas NAACP

Requested by Frank Moore *F.M./BR*

CITY/STATE Camden, Arkansas

Date of Request 12/21/79

Phone Number--Home (501) 836-9280

Work (501) 836-6158

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Other ( )

**INFORMATION (Continued on back if necessary)**

At a recent State convention, the NAACP condemned Dale Bumpers as a racist because of his foot-dragging on the appointment of a Black judge. The Kennedy forces are, of course, trying to get the Reverend and his organization to support Kennedy in the Arkansas primary. A call to the Reverend from the President inquiring about politics in Arkansas, mentioning the President's commitment to Daddy and Coretta King to get Black judges in as

NOTES: (Date of Call 12-22)

*Committed to C/S  
will work all over Ark*

many southern states as possible would ensure the Reverend's vigorous and active support in '80.

The President should be careful not to mention the Arkansas Senators and their support or lack of support. The President should take credit for Black judges in the South.

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Draft - 12/28/79

I share the concern and the sense of outrage of the international community at the blatant violation of accepted international rules of behavior committed by the

Soviet Union, <sup>intrusion into</sup> in Afghanistan. I have <sup>discussed this serious matter</sup> ~~accordingly been~~

<sup>other</sup> ~~in personal touch~~ today with several heads of government, <sup>who agree that the Soviet action is a grave threat to</sup> and we have reached agreement that a meeting of the ~~the~~ <sup>peace and stability of the region.</sup> North Atlantic Council should be convened on an urgent

basis. Soviet military action beyond its <sup>own</sup> frontiers

gives rise to the most fundamental questions pertaining to international stability, and such <sup>urgent</sup> consultations <sup>with our Allies</sup> ~~there-~~fore are urgently required. I will be sending the Deputy Secretary of State to Europe this weekend to meet with representatives of several other nations.

I have also authorized a <sup>formal</sup> ~~fuller~~ statement on our position regarding Soviet intervention in Afghanistan, which will be released later.

*of State Cyrus*

~~At the same time, I have instructed Secretary Vance to will~~ proceed to the UN, <sup>f tomorrow</sup> to press <sup>the world's</sup> ~~our~~ case against Iran, in

order to obtain the speediest possible release of American hostages, <sup>in accordance with demands made earlier</sup> ~~As I have said before,~~ international solidarity and ~~international~~ <sup>international</sup> unity are the prerequisites to <sup>a</sup> ~~peaceful~~ solution to this problem. The U.S. reserves

*by The UN Security Council and the International Court of Justice*

the right to protect its citizens and its vital interests in whatever manner is appropriate, but our clear preference is for a <sup>quick and</sup> peaceful <sup>resolution of this</sup> ~~accommodation~~ <sup>of these problems</sup> in keeping with UN principles, of international law and the U.N. charter,

through concerted international action.

WE MUST NEVER LOSE SIGHT OF OUR GOALS IN THIS CRISIS; THE PROTECTION OF THE LONG TERM INTERESTS OF THE UNITED STATES AND THE SAFETY OF OUR FELLOW CITIZENS. A THOUGHTFUL AND DETERMINED POLICY WHICH MAKES CLEAR THAT IRAN WILL PAY AN INCREASINGLY HIGHER PRICE FOR THE HOLDING OF OUR PEOPLE AND WHICH PURSUES EVERY AVENUE FOR A PEACEFUL RESOLUTION OF THIS CRISIS IS THE BEST POLICY TO ACHIEVE THOSE GOALS, AND IT IS THE POLICY I WILL <sup>continue to</sup> PURSUE.

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Another serious development, <sup>which</sup> has caused increased concern about peace and stability in the same region of the world is

December 28, 1979  
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~~Soviet Intervention~~  
STATEMENT ON COUP D'ETAT IN AFGHANISTAN

The United States Government condemns Soviet military intervention in Afghanistan, which has <sup>now resulted in the</sup> ~~now reached the point of~~ overthrowing <sup>of</sup> the established government and <sup>the</sup> execution of its president. Such gross interference in the internal affairs of Afghanistan is in blatant violation of accepted international rules of behavior. It is the third occasion since World War II that the Soviet Union has moved militarily to assert control over one of its neighbors, and the first such venture into a Muslim country since <sup>the Soviet</sup> their occupation of Iranian Azerbaijan in the 1940's.

This Soviet action <sup>is</sup> ~~should be~~ a matter of concern to the entire international community. Soviet efforts to justify this action on the basis of the UN Charter is a perversion of the United Nations that should be rejected by all its members. ~~The world community should demand that~~ ~~Soviet forces be immediately withdrawn and~~ ~~Soviet interference in the internal affairs of Afghanistan cease~~ <sup>immediately.</sup>

I have discussed this serious matter today with several other heads of government, all of whom agree that the Soviet action is a grave threat to peace, ~~and stability in the region.~~ Soviet military action beyond its own borders gives rise to the most fundamental questions pertaining to international stability, and close and extensive consultation with our allies are urgently needed. I will be sending the Deputy Secretary of State to Europe this weekend to meet with representatives of several other nations to discuss how the world community might best respond

to this unwarranted Soviet behavior in the internal affairs of Afghanistan

DRAFT

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*Tody  
2019 -  
Quick suggestion  
J*

*cc sent  
12/28/79  
ll*

Secretary of State Cyrus Vance will proceed to the UN tomorrow to press the world's case against Iran, in order to obtain the speediest possible release of American hostages in accordance with demands made earlier by the UN Security Council and the International Court of Justice. The U.S. reserves the right to protect its citizens and its vital interests in whatever manner is appropriate in keeping with principles of international law and the UN Charter, but our clear preference is for a quick and peaceful resolution of this problem through concerted international action.

We must never lose sight of our goals in this crisis: the protection of the long-term interests of the United States, and the safety of our fellow citizens. A thoughtful and determined policy which makes clear that Iran will pay an increasingly higher price for the holding of our people

and which pursues every avenue for a peaceful resolution of this crisis is the best policy to achieve those goals, and it is the policy I will continue to pursue.

Another serious development which has caused increased concern about peace and stability in the same region of the world is Soviet military intervention in Afghanistan, which has now resulted in the overthrow of the established government and the execution of its President. Such gross interference in the internal affairs of Afghanistan is in blatant violation of accepted international rules of behavior. It is the third occasion since World War II that the Soviet Union has moved militarily to assert control over one of its neighbors, and the first such venture into a Muslim country since the Soviet occupation of Iranian Azerbaijan in the 1940s.

The Soviet action is a matter of concern to the entire international community. Soviet efforts to justify this action

on the basis of the UN Charter are a perversion of the United Nations that should be rejected by all its members.

I have discussed this serious matter today with several other Heads of Government, all of whom agree that the Soviet action is a grave threat to peace. Soviet military action beyond its own borders gives rise to the most fundamental questions pertaining to international stability, and close and extensive consultations with our allies are urgently needed. I will be sending the Deputy Secretary of State to Europe this weekend to meet with representatives of several other nations to discuss how the world community might best respond to this unwarranted Soviet behavior.

~~SECRET~~



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

December 28, 1979

*Ben  
Please keep me in  
formed*

MEMORANDUM  
FOR THE PRESIDENT

Judge Webster has provided me with status reports which I am sending to you on the FBI's investigations of the assassination of Judge Wood, the ambush of U.S. Navy personnel in Puerto Rico and the bombing of the Soviet and Cuban Missions to the U.N. in New York. These reports describe the known facts, the leads the Bureau has and the substantial resources being expended to identify and develop evidence to prove the guilt of the perpetrators. (U)

We started with little evidence or leads in the Judge Wood case, but with painstaking and persistent investigation, some progress has been made. It seems likely that this was a murder-for-hire crime. This investigation has the highest priority. (U)

We have substantial physical evidence concerning the attack on a bus carrying 17 U.S. Navy personnel in Puerto Rico which indicates that three groups: Armed Forces of Popular Resistance; Popular Puerto Rican Army; and Organization of Volunteers for the Puerto Rican Revolution were most likely responsible for the attack. More than 70 FBI agents are assigned to this investigation and we expect it to develop rapidly. (U)

An anti-Castro Cuban terrorist unit, Omega 7, has claimed responsibility for the bombing of the Soviet and Cuban Missions in New York. We have substantial intelligence on the identity of the leaders of this group but no hard evidence of the

~~SECRET~~

Classified by Derivative, Status Reports to the  
Attorney General from the FBI  
Dated December 27, 1979  
Review for Declassification: 12/27/1999

DECLASSIFIED

Per, Rac Project

ESDN: NLC-126-19-25-2-3

BY KS NARA DATE 11/25/13

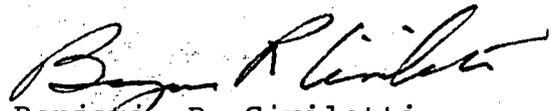
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~~SECRET~~

- 2 -

commission of terrorist acts by these leaders or other specific members. Omega 7 is a small militant unit of the Cuban Nationalist Movement (CNM). A former leader of the CNM was Guillermo Novo convicted in the Letelier bombing murders. The Cuban community is very close-knit and the primary problem is locating the individuals who are most likely responsible. (S)

~~Attachments (Classified)~~

  
Benjamin R. Civiletti  
Attorney General

~~SECRET~~

THE WHITE HOUSE  
WASHINGTON

Pres has  
Cancer memo

UNKNOWN SUBJECT;  
ASSASSINATION OF FEDERAL DISTRICT JUDGE  
JOHN H. WOOD, JR. - VICTIM (DECEASED)  
SAN ANTONIO, TEXAS  
5/29/79  
ASSAULTING FEDERAL OFFICER  
OO: SA  
MAJOR CASE #21  
CODE NAME: WOODMUR

U. S. District Court Judge John Howland Wood, Jr., aged 63 years, was murdered in front of his residence at approximately 8:40 a.m., 5/29/79, in San Antonio, Texas. He had been appointed to the Federal bench in 1971 by President Nixon. Judge Wood had acquired the nickname "Maximum John" as a result of the sentences he imposed on drug traffickers convicted in his court.

Judge Wood died almost instantly after being shot once in the back. Ballistics examination of the recovered slug indicates the weapon used was a .243 caliber high-powered rifle. Despite a massive and exhaustive crime scene search, the projectile and Judge Wood's clothing are the only items of physical evidence thus far located.

The investigation to identify, locate, and prosecute Judge Wood's assailants is a major case special within the FBI. Hundreds of suspects have been developed from individuals who appeared before Judge Wood and from the ranks of known or suspected criminals who may have carried out a murder for hire contract. During the early stages of this investigation, as many as 50 Special Agents were assigned to it full time. There are currently 16 Agents assigned exclusively to this matter.

On 11/21/78, Assistant U. S. Attorney James W. Kerr, Jr., San Antonio, was assaulted in his personal car while driving to his office. His assailants fired approximately 19 shots at him with a machine gun from the back of a van which had stopped abruptly in front of him at an intersection. AUSA Kerr took cover on the front floor board of his car and escaped with only minor injuries caused by flying glass and bullet fragments. Mr. Kerr had brought numerous narcotic violators before Judge Wood and had earned a reputation as an aggressive prosecutor. The attacks on AUSA Kerr and Judge Wood appear to be related because of their vigorous handling of drug offenders, and every avenue of this theory is being thoroughly explored.

AUSA Kerr has identified Steven Robert Barbour, aka Boo Boo, as the driver of the van. Barbour is a member of the Bandidos Motorcycle Gang (BMG) and he and four of his fellow members are prime suspects in the assault on Mr. Kerr. The van used was located shortly after the attack on Mr. Kerr, and intensive investigation is continuing to locate the weapon.

In addition to BMG members and other individuals, every case handled by Judge Wood is being reviewed to develop suspects. The cooperation afforded by local, state, and Federal law enforcement agencies during these investigations has been superb.

Every person claiming to have positive information is thoroughly interviewed and investigation is immediately initiated to corroborate or refute such leads. Every investigative technique available to the FBI, including computers, polygraph, hypnosis, consensual monitoring, Title III, informants, undercover Agents, and payment for information are being fully employed to solve these cases.

NAVMUR (CODE NAME)  
PUERTO RICAN TERRORIST ATTACK AGAINST U. S.  
MILITARY PERSONNEL  
SABANA, SECA, PUERTO RICO 12/3/79

On 12/3/79 a U. S. Navy bus carrying 17 U. S. Navy personnel en route to the operation site of a U. S. Navy Security Group Installation was ambushed by three Puerto Rican terrorist groups wherein two U. S. Navy men were killed and nine wounded in this attack.

The three groups that claimed credit for this assault are identified as follows: 1) Armed Forces of Popular Resistance (FARP); 2) Popular Puerto Rican Army (EFB); and 3) Organization of Volunteers for the Puerto Rican Revolution (OVRP).

The above groups, individually and collectively, are responsible for acts of armed robbery, bombings, killing of a police officer, theft of explosives, and numerous incidents that have occurred in Chicago, New York and San Juan. These groups have committed these terrorist acts on behalf of their fight for independence for Puerto Rico and the cessation of U. S. military activities on Vieques Island as well as other political and economic causes that do not advocate independence for Puerto Rico. The crime scene search on the 12/3/79 ambush recovered the following items of evidentiary nature: 1) Nineteen spent cartridge shells that are suitable for comparison should the weapon be recovered; 2) One latent palm print suitable for comparison (no other latent fingerprints of value were developed as the vehicles were wiped clean); 3) Hair and fibers recovered from the vehicles are suitable for comparison; and 4) Recovered metal fragments from the bus that are suitable for neutron activation comparison should the source of the ammunition be located.

Several suspects have been identified and are under continuous surveillance. Approximately 70 Special Agents are conducting this investigation which is supported by a computer terminal, air craft and other technical surveillance equipment, as well as non-Agent support personnel. Additionally, the Miami, Chicago, and New York Divisions are heavily involved in covering investigative leads developed in this investigation.

DECLASSIFIED

Per, Rac Project

ESDN: NLC-16-19-25-2-3

BY KS NARA DATE 11/25/13

~~SECRET~~

OMEGA SEVEN

"Omega 7" was initially heard from in the New York-Newark area in February, 1975, when the group claimed credit for the bombing of the Venezuelan Consulate in New York City. Since that time "Omega 7" has claimed credit for approximately 17 bombings in the New York City-Newark, New Jersey, area. Recently "Omega 7" claimed credit for the bombings of the Soviet and Cuban Missions to the United Nations, as well as the murder of Eulalio Negrin, a Cuban exile, for communicating with the Castro Government.

"Omega 7" is believed to be a small militant activist cell made up of members of the Cuban Nationalist Movement (CNM). It is a tightknit, extremely secretive group whose activities are not common knowledge among the membership of the CNM. Informants have been previously targeted towards the CNM and have been providing general information, however, no specific information regarding acts of violence has been obtained. Investigation indicates that Armando Santana, Alfredo Chumacheiro, Virgilio Paz, and Dionisio Suarez are "Omega 7"; however, there is nothing to substantiate this other than their prior record of anti-Castro bombings. Recently, a source of unknown reliability indicated Augustine Garcia, who has CNM ties, is the head of a Cuban exile anti-Castro group of students at Kean College in Union City, New Jersey.

Armando Santana of Union City, New Jersey, is the leader of the northern zone CNM. He and Alfredo Chumacheiro were arrested by the New York City Police Department in July, 1976, for attempting to bomb the Academy of Music. Santana took over leadership of the northern zone CNM after Guillermo Novo, the former leader, was arrested and incarcerated for the bombing murder of Orlando Letelier and Ronni Moffit in Washington, D. C., in 1976. Guillermo Novo, Ignacio Novo, and Alvin Ross Diaz were convicted and sentenced in U. S. District Court, Washington, D. C., in March, 1979, for these bombing murders. Four days after the sentencing, there were two bombings in the Newark, New Jersey, area and a TWA baggage bombing at JFK Airport, New York, all claimed by "Omega 7." Arrest warrants are currently outstanding for Virgilio Paz and Dionisio Suarez for the Letelier bombing murder. Both of these fugitives are believed to be in the Newark, New Jersey, area.

~~SECRET~~

Classified and Extended by 6419

Reason for Extension FCIM, II, 1-2.4.2 (2)

Date of Review for Declassification December 27, 1999

~~SECRET~~

Omega Seven

Utilizing the name "Omega 7" is a technique used by Cuban exile anti-Castro terrorists in the United States when claiming credit for an act of terrorism in order to conceal their identity and add confusion to law enforcement investigations of these criminal acts. In the past, they have used names such as "Zero," "Cero," "El Condor," and others.

"Omega 7" is a high priority terrorist investigation being conducted by the FBI and every available technique and Federal statute is being used to identify the persons committing these crimes and gather sufficient evidence to sustain their conviction in Federal court.

1. SECRETARY OF STATE CYRUS VANCE WILL PROCEED TO THE "UN" TOMORROW  
TO PRESS THE WORLD'S CASE AGAINST IRAN,
2. IN ORDER TO OBTAIN THE SPEEDIEST-POSSIBLE-RELEASE OF AMERICAN HOSTAGES, ✓
3. IN ACCORDANCE WITH DEMANDS MADE EARLIER BY THE "UN" SECURITY COUNCIL ✓  
AND THE INTERNATIONAL COURT OF JUSTICE.
4. THE "U.S." RESERVES-THE-RIGHT TO PROTECT ITS CITIZENS & ITS VITAL INTERESTS
5. IN WHATEVER MANNER IS APPROPRIATE IN KEEPING WITH ✓  
PRINCIPLES OF INTERNATIONAL LAW AND THE "UN" CHARTER,
6. BUT OUR CLEAR PREFERENCE IS FOR A QUICK AND PEACEFUL RESOLUTION ✓
7. OF THIS PROBLEM THROUGH CONCERTED-INTERNATIONAL-ACTION.

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(=OVER=) (WE MUST NEVER LOSE SIGHT.....)

1. WE MUST NEVER LOSE SIGHT OF OUR GOALS IN THIS CRISIS:
2. THE PROTECTION OF THE LONG-TERM INTERESTS OF THE UNITED STATES,
3. AND THE SAFETY OF OUR FELLOW CITIZENS. /
4. A THOUGHTFUL AND DETERMINED POLICY WHICH MAKES CLEAR ↗  
THAT IRAN WILL CONTINUE TO PAY AN INCREASINGLY HIGHER PRICE ↗  
FOR THE ILLEGAL DETENTION OF OUR PEOPLE ↗
5. IS THE BEST POLICY TO ACHIEVE THOSE GOALS,
6. AND IT IS THE POLICY I WILL CONTINUE TO PURSUE. //

(=NEW CARD=) (ANOTHER SERIOUS DEVELOPMENT.)

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1. ANOTHER SERIOUS DEVELOPMENT WHICH HAS CAUSED INCREASED CONCERN  $\nearrow$   
ABOUT PEACE & STABILITY IN THE SAME REGION OF THE WORLD  $\nearrow$
2. IS SOVIET-MILITARY-INTERVENTION-IN-AFGHANISTAN,  $\nearrow$
3. WHICH HAS NOW RESULTED IN THE OVERTHROW OF THE ESTABLISHED GOVERNMENT
4. AND THE EXECUTION OF ITS PRESIDENT. /
5. SUCH GROSS INTERFERENCE IN THE INTERNAL AFFAIRS OF AFGHANISTAN  $\nearrow$
6. IS IN BLATANT VIOLATION OF ACCEPTED INTERNATIONAL RULES OF BEHAVIOR.
7. IT IS THE 3RD OCCASION SINCE WORLD WAR "II"  
THAT THE SOVIET UNION HAS MOVED MILITARILY TO ASSERT CONTROL  
OVER ONE OF ITS NEIGHBORS,
8. AND THE 1ST SUCH VENTURE INTO A MUSLIM COUNTRY  $\nearrow$   
SINCE THE SOVIET OCCUPATION OF IRANIAN AZERBAIJAN IN THE 1940s. /

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(=OVER=) (THE SOVIET ACTION.....)

1. THE SOVIET ACTION IS A MATTER OF CONCERN TO THE ENTIRE-INTERNATIONAL -  
COMMUNITY.
2. SOVIET EFFORTS TO JUSTIFY THIS ACTION ON THE BASIS OF THE "UN" CHARTER
3. ARE A PERVERSION OF THE UNITED NATIONS ✓  
THAT SHOULD BE REJECTED BY ALL ITS MEMBERS.
4. I HAVE DISCUSSED THIS SERIOUS MATTER, <sup>PERSONALLY</sup> TODAY ✓  
WITH SEVERAL OTHER HEADS OF GOVERNMENT,
5. ALL OF WHOM AGREE THAT THE SOVIET ACTION IS A GRAVE THREAT TO PEACE.

(=NEW CARD=) (I WILL BE.....)

1. I WILL BE SENDING THE DEPUTY SECRETARY OF STATE TO EUROPE THIS WEEKEND ↘
2. TO MEET WITH REPRESENTATIVES OF SEVERAL-OTHER-NATIONS ↘
3. TO DISCUSS HOW THE WORLD COMMUNITY MIGHT BEST RESPOND ↘

TO THIS UNWARRANTED SOVIET BEHAVIOR.

4. SOVIET MILITARY ACTION BEYOND ITS OWN BORDERS ↘
5. GIVES RISE TO THE MOST-FUNDAMENTAL-QUESTIONS ↘

PERTAINING TO INTERNATIONAL STABILITY,

6. AND <sup>SUCH</sup> CLOSE AND EXTENSIVE CONSULTATIONS WITH OUR ALLIES ↘

ARE URGENTLY NEEDED.

# # #

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*Small approved*

*Susan*

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DRAFT

*✓ Tidy  
This -  
Quick suggestion  
J*

Secretary of State Cyrus Vance will proceed to the UN tomorrow to press the world's case against Iran, in order to obtain the speediest possible release of American hostages in accordance with demands made earlier by the UN Security Council and the International Court of Justice. The U.S. reserves the right to protect its citizens and its vital interests in whatever manner is appropriate in keeping with principles of international law and the UN Charter, but our clear preference is for a quick and peaceful resolution of this problem through concerted international action.

We must never lose sight of our goals in this crisis: the protection of the long-term interests of the United States, and the safety of our fellow citizens. A thoughtful and determined policy which makes clear that Iran will <sup>*continue to*</sup> pay an increasingly higher price for the ~~holding of our people~~

*illegal detention of our people*

~~and which pursues every avenue for a peaceful resolution of this crisis~~ is the best policy to achieve those goals, and it is the policy I will continue to pursue.

Another serious development which has caused increased concern about peace and stability in the same region of the world is Soviet military intervention in Afghanistan, which has now resulted in the overthrow of the established government and the execution of its President. Such gross interference in the internal affairs of Afghanistan is in blatant violation of accepted international rules of behavior. It is the third occasion <sup>s</sup> since World War II that the Soviet Union has moved militarily to assert control over one of its neighbors, and the first such venture into a Muslim country since the Soviet occupation of Iranian Azerbaijan in the 1940s.

The Soviet action is a matter of concern to the entire international community. Soviet efforts to justify this action

on the basis of the UN Charter are a perversion of the United Nations that should be rejected by all its members.

I have discussed this serious matter today with several other Heads of Government, all of whom agree that the Soviet action is a grave threat to peace. Soviet military action beyond its own borders gives rise to the most fundamental questions pertaining to international stability, and close and extensive consultations with our allies are urgently needed.

I will be sending the Deputy Secretary of State to Europe this weekend to meet with representatives of several other nations to discuss how the world community might best respond to this unwarranted Soviet behavior.

THE WHITE HOUSE

WASHINGTON

December 21, 1979

Mr. President:

I strongly believe for both substantive and political reasons that our youth package must be balanced between younger kids (DOE) and older kids (DOL). If you are concerned about too-rapid growth in the DOL program we would recommend a two-year phase-in of the program. This would still allow us to announce a major effort.

	<u>FY 1981</u>		<u>FY 1982</u>	
	BA	0	BA	0
DOE	\$1.0	\$0.05	\$1.0	\$0.9
DOL	\$0.5	\$0.35	\$1.0	\$0.8
	<u>\$1.5</u>	<u>\$0.40</u>	<u>\$2.0</u>	<u>\$1.7</u>

If you approve this initiative we will return to you for decisions on programmatic details. A great deal of work has been done and I believe we can put together a sound and popular initiative.

*Stu*  
Stu

THE WHITE HOUSE

WASHINGTON

December 26, 1979

12.28  
copies to  
Hinder & Watson  
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MEMORANDUM FOR THE PRESIDENT

FROM:

JACK WATSON *Jack*

SUBJECT:

Oregon Energy Emergency Declaration

Governor Atiyeh requested on December 22 a Presidential Declaration that a regional energy emergency exists in Oregon such that a temporary suspension of certain air pollution requirements in that State is the only viable remedial action immediately available.

- News reports  
on TV say  
heaviest  
rainfall in  
NW in  
years*
- o With its heavy dependence on hydroelectric power, the Northwest has suffered through an extremely dry period which has called into question the adequacy of the Northwest Power Pool to meet near term energy demands. Power-wheeling and loadsharing throughout the power pool have been implemented to the maximum extent possible and there still exists a potential shortage of electrical energy supplies. The situation is further complicated by an NRC ruling shutting down the Trojan nuclear facility which supplies a large share of the power to Portland General Electric, the utility which is most adversely affected. There will be an NRC hearing on this facility on December 28 and 29.
  - o Although Governor Atiyeh has implemented an extensive energy conservation program, the electric energy shortage still exists. We are asking that a conservation program be initiated on a statewide basis.
  - o Governor Atiyeh's request is for an emergency declaration which will allow a natural gas-fired powerplant to come on-line. Although this is a small plant, its operation is part of an extensive attempt to meet the energy needs of the Northwest with all available resources.
  - o The gas-fired powerplant is in a nonattainment area. However, EPA and the State of Oregon feel the air quality impact of the plant should be minimal. Measures will be taken to ensure that there are no primary air quality violations.

- o EPA recommends that a short-term (about 1 month) energy emergency be declared in Oregon and will continue to closely monitor the situation for possible extensions to four months.

A Presidential statement declaring an energy emergency in Oregon has been prepared, and I recommend that you grant the declaration under the conditions stipulated in the attached order.

EPA and DOE concur with this recommendation.

## EXECUTIVE ORDER

Governor Atiyeh of the State of Oregon petitioned me on December 22, 1979, for a determination under Section 110(f) of the Clean Air Act that a regional energy emergency exists in Oregon of such severity that a temporary suspension of the federally promulgated new source construction and permitting prohibition under Section 110 and Part D of the Clean Air Act and appropriate provisions of Oregon's State Implementation Plan is necessary to help alleviate potentially high levels of unemployment caused by possible curtailments of electricity supply to the region. After considering the information and views provided to me by Governor Atiyeh, the Secretary of the Department of Energy, and the Administrator of EPA, I am hereby making the requested determination, subject to the conditions listed below:

- (1) This determination applies only to the Harborton facility discussed in the Governor's petition.
- (2) This determination expires on February 7, 1980. I will rescind this determination before that date if the potential energy shortage is substantially eased in the interim.
- (3) Oregon's Department of Environmental Quality will monitor the air quality impact of operating the Harborton facility and will require the termination of its operation if air quality levels approach the primary ambient air quality standards. In no case would this declaration permit excesses of the health related primary ambient air quality standards.
- (4) The Governor calls for a statewide electricity conservation effort. The State will submit to EPA and DOE biweekly reports on electricity consumption levels in the State, including the effects of its electricity conservation program. This determination is made in full recognition of Oregon's excellent record in the area of energy conservation.
- (5) The operation of the Harborton facility will not result in a reduction in the electric energy output of other fossil fuel fired generating facilities in the State of Oregon.
- (6) PGE will make maximum practicable effort to purchase available electric power from other regional utilities. State regulatory authorities will seek to remove regulatory impediments to power purchase by PRE and allow timely recovery of prudently incurred purchased power costs.

*Jimmy Carter*

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THE WHITE HOUSE  
WASHINGTON

December 27, 1979

copy sent  
to Kahn

ok  
J

Mr. President:

We plan to issue the attached press release tomorrow (Friday) unless of course you want to alter that plan.

This has been a long and difficult negotiation, in which both sides have recognized the twin dangers of finding the UAW contract in compliance (when it is not, strictly, and is in any event highly inflationary) and out of compliance (when GM appears to have tried very hard, taking the fullest advantage of our often complicated rules, to bring it in, and has been a strong supporter of the standards).

I have consulted with Charlie, Stu and Ann Wexler all along the way; this resolution fully accords with their views. I will be reporting its contents to them this evening.

Please call me if you have any questions or reactions.

Fred

Alfred E. Kahn

I talked with Stu —

He agrees w/ this —

Jan

## NEWS

FOR IMMEDIATE RELEASE  
Friday, December 28, 1979

FOR FURTHER INFORMATION  
(202) 456-6757

The recent collective bargaining agreement signed by General Motors Corporation and the United Auto Workers earlier this year provides for pay increases that exceed the Carter Administration's voluntary pay standard, Alfred E. Kahn, Chairman of the Council on Wage and Price Stability, announced today.

Because, however, of a General Motors commitment to remain on the Council's price limitation throughout the second year of the anti-inflation program (October 1, 1979 to October 1, 1980), GM is in compliance with the program, Kahn said. This resolution involves a commitment by the automaker not to apply for the alternative profit limitation, under which larger price increases are permissible than under the price limitation.

The resolution of this matter occurred over the Christmas Holiday weekend following a December 21 meeting in Kahn's office. The meeting was held at the request of company executives, who were appealing an initial finding of noncompliance.

In announcing his decision, Kahn made the following points:

- 1) The contract itself does not comply with the Council's pay standard;
- 2) GM had reason to believe that the contract would comply because it had relied on certain methods of costing particular components of the agreement that it understood had been allowed in estimating the cost of the Master Freight agreement;

3) Those costing methods are not provided for under Council rules and should not be employed in costing future wage agreements.

"The decision by General Motors to adhere to the price limitation is an additional demonstration of that corporation's continuing support for the President's anti-inflation program," Kahn said. "It is a genuine concession on the Company's part."

Kahn said that while the cost of the GM-UAW contract has been publicly estimated at between 30 and 35 percent over its three year term, the Council's cost estimate, based on the methods for measuring compliance stipulated by its first year standard, is considerably lower. He explained that the gap is attributable chiefly to two items:

- o the exclusion of pension improvements for existing retirees, who are not employees under CWPS rules, and
- o the evaluation of cost-of-living adjustments (COLA) under the new agreement at the assumed inflation rate of 6 percent incorporated in the standard, while public reports understandably have used much higher estimates of inflation in estimating the cost of the agreement.

THE WHITE HOUSE  
WASHINGTON

December 26, 1979

*I'll see Jim  
briefly Friday.  
We can't buy  
100% labor  
endorsement of  
our budget  
J*

MEMORANDUM FOR THE PRESIDENT

FROM: STU EIZENSTAT *Stu*

Attached is a letter that Lane Kirkland has just sent to you as a result of the briefing John White gave to him at your request.

As you can see, the letter is much more specific than his earlier one, and I think Jim and I should talk with you about how to respond.

**Electrostatic Copy Made  
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cc: Jim McIntyre  
John White  
• Landon Butler

# AMERICAN FEDERATION OF LABOR AND CONGRESS OF INDUSTRIAL ORGANIZATIONS

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DANIEL V. MARONFY



815 SIXTEENTH STREET, N.W.  
WASHINGTON, D.C. 20006

(202) 637-5000

December 26, 1979

The President  
The White House  
Washington, D.C.

Dear Mr. President:

I appreciate your consideration of my December 21, 1979, letter to you expressing the AFL-CIO's deep concern over certain aspects of the fiscal year 1981 budget. As a follow-up to that letter, Secretary-Treasurer Donahue and members of our staff met with John White on December 24th for further discussions.

Based on the meeting with Mr. White and earlier discussions mentioned in my December 21st letter, I would like to reiterate the AFL-CIO's strong conviction that portions of your proposed budget require strengthening while other portions need additional clarification.

\* We believe that low-rent housing starts under Section 8 and public housing programs should be at least at the 300,000 unit level, with at least a 60-40 ratio between new construction and existing units.

\* We believe that the national trigger for unemployment insurance should continue to be activated by a count which includes jobless workers on extended U.I. benefits.

\* We believe there should be an explicit commitment by the Administration -- as already expressed to the AFL-CIO -- that if inflation pushes up the cost of the real growth targets in defense, the Administration will request a budget increase and a higher deficit rather than attempting to absorb those costs in non-defense programs.

\* While we welcome the increased support of youth employment programs, we believe that there should be concurrent attention to other CETA programs through such actions as protecting CETA Title III programs against inflation and anticipating an increase in Title VI public service jobs as a part of any economic stimulus program.

\* We believe that the Administration should clarify the understanding which it has conveyed to the AFL-CIO that non-defense programs will be protected against inflation.

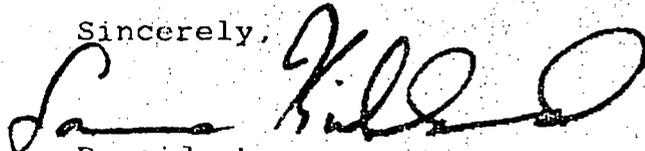
\* We believe that your budget message must specifically reaffirm the Administration's commitment to implement the Full Employment and Balanced Growth Act of 1978 and assure that, to meet that commitment, economic decline will be countered with a stimulus proposal from the Administration which will be presented in time for prompt Congressional consideration and enactment. We strongly believe that any such economic stimulus package should rely on spending programs, with a primary emphasis on direct job creation. Such a program should not include tax cuts.

In anticipation of such a stimulus program, we believe that the Administration should withdraw its opposition to and, in fact, should support the \$2 billion stand-by public works program now pending in Congressional conference on the EDA authorization legislation. We are further convinced that the Dodd and McKinney amendments dealing with terminated and cancelled defense contracts, now pending in this same conference, merit your backing.

Some Federal programs of importance to the AFL-CIO are not big spending issues but are going to be limited in their ability to function by the personnel ceilings which are conveyed along with the budget. We believe that the Administration, within present legislative restraints, should give priority in the allocation of Federal personnel ceilings to those regulatory and enforcement activities dependent upon personnel levels.

The AFL-CIO urges that you give serious consideration to these proposals in keeping with the spirit and intent of the National Accord.

Sincerely,



President

CAMP DAVID

5. BROWN AND EMK WILL BE ON US LIKE WHITE ON RICE IF YOU DO NOT DEBATE ON THE 7TH. THEY WILL ATTEMPT TO PLAY ON THE DESIRE OF PEOPLE IN STATES LIKE IOWA AND NEW HAMPSHIRE (SEE PT. 4 ABOVE) TO SEE THE CANDIDATES IN PERSON. IT MAY BE DIFFICULT TO GET PEOPLE TO ACCEPT EVEN THE MOST LOGICAL REASONS IN A HIGHLY CHARGED POLITICAL ATMOSPHERE.

6. ALTHOUGH RECENT POLLS ARE PROBABLY MORE MEANINGFUL THAN ANY OF THE PUNDITS REALIZE (THE MORE YOU LOOK AT THE INTERNALS, THE CLEARER THIS BECOMES) A DEBATE IS OUR BEST OPPORTUNITY TO SOLIDIFY OUR GAINS WITH ONE STROKE.

ALL OF US ARE FAMILIAR WITH OPPOSING ARGUMENTS FROM CY, ZBIG, ET AL. THERE MAY BE FACTORS FROM THEIR PERSPECTIVE THAT WE CANNOT ADEQUATELY ASSES, PARTICULARLY RE AFGHANISTAN, BUT WE THOUGHT YOU SHOULD AT LEAST HAVE THE BENEFIT OF OUR VIEW FROM THE POLITICAL TRENCHES.

JLP *JLP*

*Jody - I can't disagree with any of this but I cannot break away from my duties here, which are extraordinary now and ones which only I can fulfill. We will just have to take the adverse political consequences & make the best of it. Right now both Iran & Afghanistan look bad, & will need my constant attention J*

MC

CAMP DAVID

MR. PRESIDENT:

THE FOLLOWING IS A SUMMARY OF THE POINTS IN FAVOR OF YOUR PARTICIPATION IN THE IOWA DEBATE FROM YOUR MORE POLITICAL ADVISORS, INCLUDING ME. THE POINTS COME FROM HAMILTON, STRAUSS, KRAFT, STU AND ME, ALTHOUGH NOT EVERYONE MENTIONED EACH POINT.

1. WE ADVISED THAT YOU ACCEPT THE INVITATION FROM THE R&T AND THUS "MAKE THE DEBATE HAPPEN" BECAUSE WE FELT A DEBATE WAS IN YOUR POLITICAL INTEREST. NOTHING HAS HAPPENED TO CHANGE THAT JUDGMENT.

2. A DEBATE IN THIS FORMAT PLACES YOU IN THE STRONGEST POSITION AND EMK IN THE WEAKEST. HE HAS SHOWN SIGNS OF LATE THAT HE IS PERFECTING HIS STUMP SPEECH, BUT THERE IS NO REASON TO BELIEVE THAT HE IS ABLE TO HANDLE A TOUGH GIVE AND TAKE.

3. SINCE THERE IS LITTLE CHANCE THAT YOU WILL BE ABLE TO PERSONALLY CAMPAIGN IN IOWA, THE DEBATE IS YOUR ONE CHANCE TO HAVE A PERSONAL IMPACT BEFORE THE FIRST ROUND OF CAUCUSES. EMK IS PRACTICALLY LIVING IN THE STATE AND HIS CONTINUED PRESENCE WILL HELP HIM.

4. IF YOU DO NOT PARTICIPATE IN THE DEBATE, IT WILL BE VERY DIFFICULT FOR YOU TO DO ANY CAMPAIGNING UNTIL THIS CRISIS IS OVER. THAT COULD BE LONGER THAN ANY OF US WOULD LIKE TO THINK.



CABINET ECONOMIC POLICY GROUP,

DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C. 20220

December 20, 1979

*7's Answered in meeting. 12/21*  
*J*

MEMORANDUM FOR THE PRESIDENT

From: G. William Miller  
Chairman, Economic Policy Group

*File*

**Electrostatic Copy Made for Preservation Purposes**

Subject: Energy and Economic Program

This memorandum summarizes our prior memo and discussion with you in which individual viewpoints were expressed. I would be pleased to meet with you to discuss the issues if you feel that would be desirable. The major policy decisions on which we would appreciate your guidance are outlined below:

1. Motor Fuels Charge

Should a charge be imposed on motor fuels through the imposition of a fee on oil imports and a mechanism similar to the current entitlements program to direct the price impacts of the import fee to gasoline refining?

The amount of the oil import fee would be set so as to result in an increase in the price of motor fuel in accordance with the following (or other) schedule:

July 1, 1980	10 cents per gallon
January 1, 1981	20 cents per gallon
July 1, 1981	30 cents per gallon

CEA estimates additional oil import reductions as follows:

<u>Year end</u> 1980:	50,000 bbl/day
1981:	350,000 bbl/day
1982:	650,000 bbl/day

The charge will result in an increase in the consumer price index (CPI) of about 0.6 to 1.2 percent for each 10 cent increase in gasoline prices. (This will be over and above increases that will result from probable OPEC Caracas action.)

Favor Proposing Motor Fuels Charge

Do NOT Favor Proposing Motor Fuels Charge

*2013*

If you favor proposing the motor fuels charge, should the charge be imposed automatically according to the schedule set forth on the previous page (the Fixed Schedule Option), or should the charge be imposed only if specified motor fuel consumption targets are exceeded (Contingent Option)? Alternatively, the charge could be imposed on July 1, 1980, January 1, 1981, and July 1, 1981 only if "satisfactory progress," as determined in the broad discretion of the President and his advisors, is made by the country toward reduced use of motor fuel (the Discretionary Option).

Points to Consider on the Different Motor Fuels Charge Options

. Contingent or Discretionary Option provides the American people an opportunity to reduce their usage of gasoline and other motor fuel voluntarily.

. Contingent or Discretionary Option potentially avoids the increases in the consumer price index which would occur under Fixed Schedule Option.

But

. Contingent and Discretionary Options may be viewed as failures if motor fuel consumption targets are not met.

. It is difficult to specify in advance what motor fuel consumption should be because of the great range of factors, e.g. economic growth, weather, and demographic shifts, which affect motor fuel consumption.

. Tying future increments of the motor fuels charge to future events makes planning for recycling the proceeds extremely difficult.

*when/if needed to meet targets*

Favor Fixed Schedule Option

Favor Contingent Option

Favor Discretionary Option

. Under each of the options for a motor fuels charge, an appropriate mechanism to recycle revenues generated back to the economy would be developed. The principal mechanisms would be:

- . A direct transfer low income assistance program, and
- . Individual income tax relief.

The revenues would be returned in such a way as to mitigate the impact on people with lower incomes.

## 2. Tax and Budget Issues

The lack of substantial confirming evidence of a recession at this time rules out a fiscal stimulus package. EPG will continue to monitor unemployment levels, real growth, and other economic indicators.

This leaves two basic policy options on which we would appreciate your guidance:

Option A: No tax reductions at this time, although limited additional spending for areas of extreme concern to the extent consistent with steady progress toward budget balance.

. The components of "limited additional spending for areas of extreme concern" will be identified through the budget process and the decisions made there.

Option B: Modest addition to the budget deficit (approximately \$10 billion) for long term economic goals.

. A \$10 billion addition to the FY 1981 deficit would be part of a long term program to increase investment, improve productivity, enhance growth, and raise living standards through tax incentives and programs to enhance human capital.

. The following possible items could be included in any such long term program:

.. Simplification and liberalization of tax rules for depreciation of plant and equipment through a new "Constant Rate Depreciation System" (Program can be scaled to cost from \$4 billion to \$6 billion in FY 1981)

.. Savings incentives (Estimated FY 1981 Cost \$0.2 billion and FY 1982 cost \$2.5 billion)

.. Research and development program (through additional spending or tax incentives) (Estimated FY 1981 Cost less than \$0.1 billion)

.. Programs to enhance human capital (Estimated FY 1981 Costs \$2-\$5 billion)

. If this option is elected, a separate package describing in greater detail the range of human capital initiatives which can be added as part of a long term program will be forwarded later this week as part of the budget appeal process.

Favor Option A

Favor Option B



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THE REPRESENTATIVE  
OF THE  
UNITED STATES OF AMERICA  
TO THE  
UNITED NATIONS

December 20, 1979

MEMORANDUM FOR: THE PRESIDENT

From: Donald McHenry *DMH*

Subject: The FY-81 Foreign Assistance Budget

I wanted to convey to you my thoughts on the FY-81 foreign assistance request for your consideration during the final budget review.

Your Administration has sought to identify with the legitimate aspirations of the developing countries. The support we have received on the Iranian issue attests to the success of this approach.

I fully appreciate the imperative of restricting budgetary expenditures. But in doing so, we must not underestimate the importance developing countries attach to development assistance--as a measure of our commitment to a new political relationship with Third World countries and to their growth and prosperity. Nor should we minimize the extent to which our interests are directly served by economic growth in developing countries.

We have rigorously cut the budget request for International Organizations and Programs. But the OMB passback recommendation falls significantly below what I regard as the minimum necessary to support our objectives. I strongly urge increasing our contribution to UNICEF to \$45 million. UNICEF supports basic human needs in the poorer countries; it is the most popular UN program in the U.S.; and Jim Grant, its new Executive Director, will strengthen the organization and make it

more effective and efficient. The U.S. contribution to the Science and Technology Fund agreed to in Vienna should be at least \$15 million to ensure adequate financing for this important new UN development activity; to demonstrate continued U.S. emphasis on S&T development in developing countries, particularly in view of ISTC's Congressional problem; and to give substance to the widely praised work of Father Hesburgh and the U.S. Delegation at the Vienna Conference in helping to bridge the gap with the Third World. Because of UNDP's pivotal role in multilateral technical assistance and in restraining pressure for financing such assistance in assessed budgets, our FY-81 request must at least match the one in FY-80--\$140 million.

Regarding the entire Foreign Assistance budget, I strongly support Tom Ehrlich's appeal of \$7.1 billion. This reduced level would not even provide a minimal increase in real terms over the estimated 1980 level. Anything else would be difficult for the developing countries to understand and for Administration spokesmen to explain.

THE WHITE HOUSE  
WASHINGTON

December 17, 1979

*Susan -  
Held for Fri  
mtg @ US Int  
J*

MEMORANDUM FOR:

THE PRESIDENT

**Electrostatic Copy Made  
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FROM:

STU EIZENSTAT *Stu*

SUBJECT:

Department of Education Budget

OVERVIEW

OMB currently is recommending a total budget of \$14.150 billion. This budget level:

- Represents an increase of \$62 million or 0.4% over FY 1980 appropriations; but
- Buys \$1.141 billion less than FY 1980 funding, using an estimated deflator for education purchases of 8.5%.

The Department is appealing to you for an additional \$270 million for Title I Regular Grants to school districts, which would bring the total budget to \$14.420 billion. This budget level:

- Represents an increase of \$332 million or 2.4% over FY 1980 appropriations; but
- Buys \$894 million less than FY 1980 funding, assuming an 8.5% deflator.

RECOMMENDATION

We have worked hard over the past three years to make education a major budget priority, and education groups are a major source of political support. We strongly urge that you:

- (1) Approve the Secretary's Title I appeal for \$270 million.

(2) Agree to an additional allocation of roughly \$100 million for increases to be mutually agreed upon by Jim, Secretary Hufstedler and myself for programs which have major constituencies but have been given unacceptably low percentage increases. These programs, plus the dollar and percentage increases received from OMB, are as follows:

- State Grants for Education of the Handicapped +47 million (5.4%)
- State Grants for Rehabilitation Services +25 million (3%)
- Desegregation Assistance under the Emergency School Aid Act +14.7 million (5.4%)
- Bilingual Education +13 million (7.8%)
- "TRIO" Programs Serving Disadvantaged Students Enrolled or Planning to Enroll in College +4.5 million (3%)
- Libraries +3 (1.2%)
- Teacher Centers 0 0

(3) Add another \$8 million to OMB's \$2 million increase for International Education programs. This will bring total funding for these programs to the \$30 million level strongly requested by Speaker O'Neill and Congressmen Brademas, Simon, Zablocki, Ford of Michigan, and Wirth and supported in memoranda to Jim by DOD, State, CIA, ICA, and NSC. Dr. Brzezinski is sending you a memorandum making this same recommendation.

Adoption of these three recommendations will leave a very tight education budget - one which still declines in real terms - but which will in our judgment be better programmatically and less likely to encounter strong public and Congressional opposition than the other proposals.

THE WHITE HOUSE

WASHINGTON

December 20, 1979

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MEMORANDUM FOR THE PRESIDENT

FROM: ANNE WEXLER *Anne*

SUBJECT: Summary of Interest Group Budget Concerns

Because I cannot attend the budget meeting on Friday, I wanted to put before you some of the concensus opinions of interest groups on certain aspects of the budget that could have special impacts this year.

I. Housing

Without exception, Governors, Mayors, State Legislators, Blacks, Hispanics, native Americans, women and Anti-Poverty Groups expressed support for a minimum goal of 300,000 low-income housing units.

II. Education

The Women's Education Equity Act should be funded at a level (\$15,000,000+) which will trigger funding for Title IX enforcement. This coupled with improved funding in the Women's Bureau of the DoL would reinforce your commitment to women. The political pay off is well worth the relatively small budget increase. *ok*

Cost of living increases for the G.I. Bill have not been granted since 1977. If we're planning to propose an adjustment, it ought to be proposed now. *ok*

Bilingual Education must be supported in real dollars equal to FY 80 funding levels. *ok*

III. Community Based Organizations

Must continue to receive support, at least equal to the dollars allocated in the FY 80 Budget. Blacks, Hispanics, consumers, and women were unanimous in their support of CBOs as service delivery mechanisms.

IV. Regulatory Enforcement

Environmentalists, consumers, women, and minorities feel that the enforcement arms of regulatory agencies and offices of civil rights, throughout the government are woefully understaffed.

THE WHITE HOUSE  
WASHINGTON

12/28/79

Mr. President:

Eizenstat concurs with  
Askew, recommending Option 2.  
CL has no comment.

If you concur with Askew,  
THREE SIGNATURES REQUESTED.

Rick

*orig to Linker  
12-28*

*Called STM*

*800105*

## THE WHITE HOUSE

WASHINGTON

December 26, 1979

ACTION

MEMORANDUM FOR: THE PRESIDENT

FROM: HENRY OWEN *HO*

SUBJECT: Import Relief: Porcelain on Steel Cookware

The U.S. International Trade Commission (USITC) has ruled unanimously that injury to the domestic industry, or the threat thereof, justifies import relief for porcelain on steel cookware. The domestic producer, an Indiana firm, may reopen a plant in West Virginia if relief is obtained. Senator Byrd, among others, has advocated the USITC remedy: 5 years of increased tariffs. The Senators and seven Representatives from Minnesota oppose relief because a major importing firm is located there.

Imports, which were about \$40 million in 1978, account for about 70 percent of the U.S. market; major sources include Japan, Taiwan, Spain, Mexico, Italy, Korea, and France. Although the above-mentioned U.S. firm's profits are adequate, and its employment is up from the low levels of 1978, total employment in the industry has declined since 1974 because of plant closings.

Agencies agree that some relief is warranted (except for teakettles). State, Treasury, Justice, and IDCA recommend additional tariffs of 20 percent for 2 years with the possibility of extending relief for 3 years if this proves necessary to promote adjustment. Fred Kahn supports this option, at most. He believes that the company is already so profitable that it is far from clear why any import relief is warranted, particularly when EDA loans for the company might be provided even without extra tariff protection. USTR, Commerce, and Labor recommend specific tariffs (tariffs measured in cents per pound) for 4 years, with the option of terminating relief after 2 years if the firm is not adjusting to import competition. The commitment to 4 years of relief would, in Reubin's view, help the firm reopen the West Virginia plant and improve the productivity of its Indiana operation. I agree with Reubin.

Relief can also include assistance from the Economic Development Administration of the Department of Commerce. This is supported by all agencies.

DECISION OPTIONS

OPTION 1: Increase tariffs for 2 years, with an option to extend for 3 years. (State, Justice, Treasury, IDCA, OMB, Fred Kahn) \_\_\_\_\_

OPTION 2: Increase tariffs for 4 years, with an option to terminate relief after 2 years. (USTR, Commerce, Labor, Owen) \_\_\_\_\_ ✓

You may also direct Commerce to consider financial assistance for the affected firm (all agencies support this measure).

APPROVE \_\_\_\_\_ ✓

DISAPPROVE \_\_\_\_\_

THE WHITE HOUSE  
WASHINGTON

12-28

copy sent to Charles

THE CHAIRMAN OF THE  
COUNCIL OF ECONOMIC ADVISERS  
WASHINGTON

December 22, 1979

no  
J

MEMORANDUM FOR THE PRESIDENT

Electrostatic Copy Made  
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From: Charlie Schultze <sup>CS</sup>  
Subject: Final Budget Decision

I hope you will forgive me for making one final attempt to argue the case for a \$6 to \$8 billion "productivity" package in the 1981 budget.

Even without energy, housing, and mortgage price increases, the rate of cost and price inflation has now risen to 8 to 9 percent. Over time we will have to work that inflation rate down. If we do not, then we can be sure it won't just stay at 8 to 9 percent it will get larger.

Working down this rate of inflation will mean -- for the foreseeable future -- stringent budgetary and monetary policies. On average interest rates will have to be higher than anyone wants. Budgets will have to be more stingy, year after year, than even most tight budget advocates want. Even if managed to perfection this still means sluggish economic growth and, on average, higher unemployment than we would like.

If monetary and fiscal policies are our only long-run weapons to work down inflation this is the outlook.

Only as we also attack the other factors which affect costs -- new technology, increased investment, better trained young workers, an improved match between job vacancies and the unemployed, streamlined regulations, etc. -- can the rigors of tight money, high interest rates, and excessively high taxes on everybody be eased.

The "package" we have proposed won't itself do this. But it is a start. And, when associated with other things we are doing anyway, it can give some hope that beating inflation does not condemn us to a long-term grind of tight money and slow growth.

MEMORANDUM

THE WHITE HOUSE  
WASHINGTON

12/28

Mr. President -

With your permission  
there will be 2 more  
Iowa organizational calls  
for this evening -

8:20 pm & 8:50 pm.

✓  
\_\_\_\_\_ approve \_\_\_\_\_ disapprove

Jan