G.C.
(Edwards)

THE WHITE HOUSE
WASHINGTON

Talked w/ Edwards 12/12
Told him plans are
to continue 1¢
differential, w/ proclam.
to be signed by end
of month.

JWC
12/12

THE WHITE HOUSE
WASHINGTON

November 7, 1983

TO: JAB III

Attached is a memo prepared by Burleigh Leonard of OPD for your conversation with Jack Edwards.

There seems to be agreement within the Administration that the current one cent differential should be maintained. A proclamation to that effect is still in process.

A number of domestic refiners have indicated that they want the one cent differential raised to five or six cents. Edwards may agree with this view-- I don't know for sure. However, our people say that there is no trade justification for such a large increase in the current differential.

JC

205-928-1013

11/15

JC:
Pls handle w/ Edwards for me - in an appropriate way. Thanks.
JABIII

JE: update on Sugar import differential

Cicconi
Pls. Look into & Find out what it is - JAB wants to call Jack Edwards in the next day or two - 11/1 Per JAB

10/31/83--I talked to Burleigh Leonard at the White House again. Last week there were meetings of a working group - deputy assistant secretary level. Meetings led to a tentative agreement to draft a proclamation. Burleigh would not go into details but indicated the proposed proclamation would lean toward the differential. He said any disclosure of this could hurt the market, I told him we would keep mum.

He stressed that all this is tentative because the draft proclamation must go through a review stage where all sorts of agencies will sign off or not. Ultimately, it must be cleared at the White House and signed by President. So, he said that any discussion with Jim Baker would be very timely at this point.

Nancy T.

Jim - I asked my staff to tell me when I should ask your help & they say <u>now</u>. This is very important to me and I would appreciate your assistance <u>in support of the differential</u>.

Thanks -

Jack Edwards
11-1-83

Edwards, Jack

JE: latest Sugar issue, per Taylor Morrissette's letter

Ed called me recently to say there would be a sub-cabinet level meeting on the issue of the refined sugar fee differential -- whether or not to increase it.

Currently, imported refined sugar is assessed a 1¢ per pound fee over the cost of raw sugar. According to Ed, both the domestic producers and refiners agree that the differential fee is too low and should be about 5¢ per pound. USDA is calling for this type of increase but, according to Ed, one individual at Treasury is opposing the increase. Ed wanted us to call the White House to urge an increase in the differential fee.

4560-2273 I talked to Burleigh Leonard at the White House on 10/20 who was very familiar with this issue. He said there was no imminent sub-cabinet level meeting planned but that it could eventually come to that. Staff-level meetings had not yet been able to resolve differences. The question is not so much a disagreement that refined sugar is coming in too cheaply -- that's pretty much agreed -- but how best to deal with the problem. Apparently, the two options are an increased fee differential or some type of quota on imported refined sugar. Either would protect Colonial, but I told Leonard that you wanted to let them know of your support for an increased fee differential. I reported back to Ed who was not aware of the two choices under consideration. He agreed that either approach would be helpful to them but that they generally opposed any type of quotas.

I guess they now want you to go to Baker.

Nancy T.
10/31/83

B. Leonard wds

THE WHITE HOUSE

WASHINGTON

November 2, 1983

FOR: JIM CICCONI

FROM: BURLEIGH LEONARD BL

SUBJECT: Refined Sugar

The attached issue paper for the CCFA Working Group on Sugar provides an adequate explanation of the refined sugar issue. I recommend its use as background material for Mr. Baker's conversation with Congressman Jack Edwards.

The Working Group reached a consensus that the current one cent fee differential on refined sugar imports should be maintained so as not to give undue incentive for foreign refiners to ship their products to the United States. USDA is drafting a presidential proclamation to continue the one cent differential. That proclamation will be circulated to all interested agencies and White House staff for their comments via the OMB distribution system. still in process, but on-track

CEA, Treasury, and Commerce were most outspoken in their opposition to a quota on refined sugar imports and an increase in the current fee differential on refined sugar. They aruged that the purpose of the border protection mechanisms implemented by the Administration under section 22 of the Agricultural Adjustment Act of 1938 is to maintain the integrity of the domestic sugar price support program and not to protect domestic sugar refiners. If domestic sugar refiners are being hurt by surges in refined sugar imports or unfair trade practices that make refined sugar imports artificially competitive with domestic refined sugar, than domestic refiners should seek relief under other legislative authority such as the countervailing duty laws. These agencies also point out that there is insufficient evidence to date to suggest that domestic refiners are being hurt by refined sugar imports (see the attached table). Finally, these agencies' opposition to further protection for domestic refiners is colored by their overall dissatisfaction with the domestic sugar price support program.

USDA and USTR believe that further protection is due domestic refiners as a matter of equity. They point out that domestic refiners have been hard hit by the implementation of the sugar price support program. They also indicate that the current one cent fee differential has not been sufficient to prevent dramatic increases in shipments of Brazilian refined sugar to the U.S. Both USDA and USTR believe that a quota provides the only effective and nondiscriminatory means of protecting the interests of domestic sugar refiners.

Mr. Baker can make the following points in his conversation with Congressman Edwards:

- o The Administration is sensitive to economic dislocations suffered by domestic sugar refiners as a result of the Administration's implementation of the sugar price support program.

- o We believe that some form of protection is needed against refined sugar imports; however, the degree of the protection provided probably will not be much greater than that currently offered via a one cent fee differential.

- o The Administration has agreed to review the various components of the domestic sugar price suport program and the border protection mechanisms undertaken to protect the price support program. This review will take place on a quarterly basis. We will watch the import situation very carefully to determine whether further action is necessary to protect the interests of domestic refiners.

THE WHITE HOUSE

WASHINGTON

October 25, 1983

MEMORANDUM FOR THE CABINET COUNCIL ON FOOD AND AGRICULTURE
WORKING GROUP ON SUGAR

FROM: BURLEIGH C. W. LEONARD

SUBJECT: Refined Sugar Imports

ISSUE

How should the Administration restrict imports of refined sugar?

BACKGROUND

Recently, the Cabinet Council on Food and Agriculture agreed to:

- establish the FY 1984 sugar market stabilization price (MSP) at 21.17 cents per pound;

- defend the FY 1984 MSP by means of a 2.65 million metric ton quota on raw sugar imports; and

- establish an interagency working group to undertake a quarterly review of the MSP and other components of the sugar price support program.

However, the Cabinet Council did not determine whether or how to regulate imports of refined sugar.

U.S. imports of refined sugar historically have been very small relative to imports of raw sugar. In the period 1975-79, annual imports of refined sugar averaged 232,000 metric tons. In recent years, imports of refined sugar have decreased dramatically. In 1980-82, annual imports of refined sugar averaged only 14,000 metric tons (see Attachment I).

During the last few months, U.S. imports of refined sugar have been increasing. There are indications that because of the U.S. quota on imports of raw sugar, it has become advantageous for certain countries to export refined rather than raw sugar to the U.S. This is especially true in the case of Brazil which has a large refining capacity.

Over the period June through October 1983, U.S. imports of Brazilian refined sugar amounted to 8,350 metric tons, compared to negligible amounts during the same period in 1982. Brazil has shipped over 6,370 metric tons of refined sugar to the U.S. in October alone.

On May 5, 1982, the President issued an emergency section 22 proclamation that established a one cent import fee differential for refined sugar (the import fee on refined sugar is now set at one cent higher than the fee on raw sugar). USDA requested that the International Trade Commission (ITC) comment on the fee differential necessary to ensure that refined sugar is not imported to circumvent the quota restrictions. The ITC recommended that a separate quota on refined sugar be implemented whenever there was a restrictive quota on raw sugar in place. In March 1983, USDA prepared a draft final section 22 proclamation that proposed a refined sugar import quota of 35,900 metric tons. Several agencies opposed this proposal, advocating instead that some sort of a fee differential be continued. Despite numerous attempts at the technical staff level to reach an agreement on how to treat refined sugar, no consensus has developed to date.

This matter needs to be resolved so that the President can publish a final section 22 proclamation. The same proclamation will serve as the vehicle to establish the interagency quarterly review of the components of the sugar price support program.

DISCUSSION

Domestic sugar refiners claim that the current sugar program is hurting them in two ways. The quota on raw sugar restricts their access to their lowest cost raw materials, thus increasing costs and reducing demand for their finished product. What demand remains is being met increasingly by foreign refined sugar due to the fact that the one cent differential fee is inadequate to stem the flow of imports of competing finished products.

All agencies agree that steps should be taken to discourage increases in refined sugar imports that are attributable to the implementation of the sugar price support program. Likewise, the agencies concur that the selected treatment of refined sugar imports should not confer unwarranted benefits on domestic refiners by overly restricting imports of refined sugar. Finally, there is consensus that whatever form of treatment is adopted should be subject to a scheduled phase-out.

Agencies advocating a fee differential argue that a quota serves as protection for domestic refiners rather than for the sugar price support program as required by section 22. They assert that import quotas are not consistent with stated U.S. trade policies and therefore should be avoided whenever possible. These proponents are particularly sensitive to imposing quantitative restrictions on a commodity like sugar, that already is subject to import quotas. Finally, they argue that import fees can restrict imports of refined sugar while permitting the market place to determine the market shares of foreign suppliers.

Domestic sugar refiners and agencies favoring a quota assert that such a measure is the only effective and administratively sensible means of protecting against unwarranted increases in imports of refined sugar. They indicate that an import fee differential can not be calculated to achieve necessary protection of the price support program without being either too restrictive or too discriminatory. These parties argue that a quota can be tailored in a GATT consistent fashion to both neutralize incentives to export refined sugar in lieu of raw sugar and accommodate those countries that are traditional shippers of refined sugar to the U.S., such as Canada. A quota on refined sugar would neither reduce nor increase the amount of sugar permitted to enter the U.S. under the current headnote quota. It simply would regulate the types of sugar that could enter.

OPTIONS

1. Establish an Import Fee Differential for Refined Sugar Imports.

   Advantages:

   - Could be phased out.
   - Could incorporate automatic adjustments to reflect changes in world sugar prices.
   - Would be more consistent with U.S. trade policy.

   Disadvantages:

   - Would be difficult to design a fee differential that would be effective without being too restrictive or too discriminatory.
   - Would be cumbersome to administer if different fees had to be calculated.
   - Would be less likely to satisfy domestic refiners.

2. Establish an Import Quota for Refined Imports.

   Advantages:

   - Could be phased out.
   - Could be structured to accommodate interests of traditional suppliers of refined sugar.

o Would be more responsive to domestic refiners who believe that they have been unreasonably harmed by the implementation of the sugar price support program.

Disadvantages:

o Could be too restrictive, depending on the level of the quota.

o Would not be consistent with U.S. trade policy.

o Would be harder to adjust to reflect changes in world sugar prices.

ATTACHMENT 1

U.S. Imports of Refined Sugar
(1000 metric tons)

	1975	1976	1977	1978	1979	1980	1981	1982
CANADA	24	21	81	73	70	1	2	28
EC	--	16	36	--	--	--	--	--
BRAZIL	2	--	92	50	--	4	--	--
TOTAL U.S. Imports	134	195	595	165	72	7	4	30

HIGH FRONTIER

1010 Vermont Avenue, N.W. • Suite 1000 • Washington, D.C. 20005 • (202) 737-4979

Lt. Gen. Daniel O. Graham
USA (Ret.)
Director

ask who got this?

URGENT

November 4, 1983

Graham, Daniel

Mrs. Karna Small
Deputy Assistant to the President
Director, Media Relations & Planning
The White House
Washington, D.C. 20500

Dear Karna:

Here is our analysis of the problem which will arise from the ABC-TV show "The Day After." And here is a sound course of action to offset it, using it to promote the President's call for strategic defenses instead of his opposition's call for nuke freeze.

We need action on this fast. We need calls to the potential financial backers now.

Regards,

Dan

Daniel O. Graham
Lt. Gen., USA (Ret.)

DOG:vvm
Enclosure

Meese
Blackwell
Nofziger
Rollins
Laxalt

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Lt. Gen. Daniel O. Graham
USA (Ret.)
Director

HIGH FRONTIER

TWO DAY MEDIA BLITZ

November 20, 21, 1983

RESPONSE TO "THE DAY AFTER"

Note: Others who received this:

Ed Meese
Morton Blackwell
Ed Rollins
Lyn Nofziger
Karna Small
Paul Laxalt

NOVEMBER 4, 1983

HIGH FRONTIER

1010 Vermont Avenue, N.W. • Suite 1000 • Washington, D.C. 20005 • (202) 737-4979

Lt. Gen. Daniel O. Graham
USA (Ret.)
Director

BACKGROUND

On November 20, 1983, ABC will air the made-for-TV movie, "The Day After." The announcement of this pro-freeze film has already stirred a storm of anti-nuclear sentiment across the country.

The film is expected to draw a 50 share of the audience, making it one of the highest rated shows of all time.

Several anti-nuclear groups have tried to purchase air time during the movie, according to H. Weller Keever, ABC's Vice President for network sales. While ABC has refused to sell network air time to any advocacy group during the film, including High Frontier, several groups are organizing an ad campaign that will run during the week following the film.

These campaigns include local TV spots and print ads in major city newspapers with an 800 telephone number for people to call to become involved with the disarmament movement.

Roger Molander's nuclear-war-education group, "Ground Zero," has published and distributed 200,000 viewing guides (see attached), and is encouraging people to watch the film in groups and join the movement.

Janet Michaud's "Campaign Against Nuclear War" will also have an 800 number and will sponsor two days of seminars in major cities across the U.S. the week following the movie. Other pro-freeze groups are also actively organizing media and grassroots campaigns.

As supporters of the President and his call for a sound national defense, we must not allow the disarmament lobby to capitalize on this emotional movie. We must not allow the disarmament lobby to play on the fears and frustrations of the citizens of this country. We must provide a sensible alternative on November 20th. That alternative is the President's March 23rd initiative.

HIGH FRONTIER'S MEDIA PLAN

To provide viewers with an alternative, High Frontier proposes a November 20th-21st media blitz on local TV, national TV (if we can purchase the time), and in local and national newspapers.

The television commercials are already produced. The commercials will have a tagline to call attention to the corresponding newspaper ads in the major dailys in the same markets.

Additionally, High Frontier will have an 800 telephone hotline for supporters to call for additional information.

The specific media plan is still being finalized, but as a minimum should include the following:

SUNDAY, NOVEMBER 20

Local Newspaper Ads (one full page)	Sunday	
Washington Post	$29,200	
Miami Herald	11,400	
Houston Chronicle	10,400	
Dallas Times Herald	9,500	
Seattle Times	14,100	
San Diego Union Tribune	9,000	(Sun/Mon combo)
New Orleans Times-Picayune	4,900	
Kansas Capital Journal	2,600	
Denver Post	10,400	

National Newspaper Ads (full page)	
N.Y. Times National Edition	28,150

Local Newspaper Ads (1/2 page)

San Francisco Chronicle	11,000
Los Angeles Times	12,000
Chicago Tribune	13,700

National T.V.

* Ted Koppel's post film analysis 2 - 60 second spots — 50,000

Local T.V.

Post film local/regional 60 seconds
Spots in markets corresponding to the newspaper ads.

175,000

MONDAY, NOVEMBER 21

Local Newspaper Ads (full page)	Monday
Washington Times (2 full page ads, 2nd page free for 1st time advertisers)	$3,510
Houston Chronicle	9,800
Dallas Times Herald	9,100
Seattle Times	12,800
San Diego Union Tribune (Sun/Mon combo)	9,000

National Newspaper Ads (full page)

USA Today	16,000
* Wall Street Journal (closed out)	
Christian Science Monitor	1,450

National T.V.

ABC's AM World News one 60 second spot (Contingent on availability) — 7,000

Local T.V.

Local/regional 60 second T.V. spots in markets corresponding to the newspaper ads.

	50,000
Total	510,000

These are several secondary markets that we would like to add to this campaign. Our ability to do so will depend on the financial resources that can be raised in the brief time we have left before the deadlines.

MEDIA BUDGET

The two day media blitz will cost a minimum of $500,000. Anything less than this size buy will not make an impact significant enough to make a difference.

Furthermore, a buy of this size will generate substantial news coverage of the buy itself. We will, more than likely, receive news coverage in markets that we did not reach with the ads.

To encourage this coverage, High Frontier will send out press releases to approximately 3000 media contacts to stir their interest in the campaign.

Obviously, the time is running out to finalize this buy. Since High Frontier does not have the financial resources on hand to purchase this time, we are requesting help from the White House. We need the White House to call the following individuals and ask each to donate $500,000.

W. Clement Stone	(312) 564-8000
Bunker Hunt	(214) 573-8466
Joseph Coors	(303) 279-6565
Rich DeVoss	(616) 676-6225
&	
Jay Van Andel	
Ed Gaylord	(405) 232-3311

Since High Frontier will be carrying the lance for the President on the issue of strategic defenses and the validity of his March 23 initiative, we are depending on the White House for their critical support.

Population Crisis Committee

Draper Fund

Suite 550, 1120 19th Street, N.W.
Washington, DC 20036
Telephone: (202) 659-1833
Cable: CRISIS WASHINGTON
Telex: 440450

New York Office:
435 East 52nd Street
New York, NY 10022
Telephone: (212) 751-9511

October 27, 1983

Mr. James Cicconi
Special Assistant to the President
The White House
1600 Pennsylvania Avenue, N.W.
Washington, D.C. 20500

Dear Mr. Cicconi:

I neglected to mention in yesterday's letter to you the question of reactivating the NSC's Inter-Agency Task Force on World Population which I chaired from its inception in late 1975 until my retirement from the Foreign Service in 1979.

My successor as Coordinator for Population in the State Department, Ambassador Richard Benedick, also succeeded me as Chairman of this Task Force.

However, the Task Force was suspended by Under Secretary James Buckley pending his review of our population policy and, even though that review was completed, the Task Force was never reactivated.

Before taking any steps to have it reactivated as I suggested to Mr. Baker, you may want to touch base with Dick Benedick (telephone 632-3472). He, with some justification, does not believe it would be wise to raise this issue right now, pointing out that he does have satisfactory working relations with agencies concerned with the Mexico City Conference next year.

He would be glad to discuss the issue with you, and greatly welcomes Mr. Baker's and your interest in the population problem.

Sincerely,

Marshall Green

Marshall Green

MG:wc

Population Crisis Committee

Dear Mr. Ciccone -

Since drafting this letter, I learned that the Bureau of International Organizations in the State Dep't is proposing Secretary Margaret Heckler to head our delegation.

For reasons stated or implied in the attached letter, we believe Bill Draper would be the best head of delegation. Certainly he should play a prominent leadership role in the delegation. But if the arguments for Sec'y Heckler prevail, then the White House might consider a co-chairmanship role for Mr. Draper,

(h) 247-5777

Many Thanks,

1120 19th Street, N.W. • Washington, D.C. 20036
(202) 659-1833

Marshall Green

Population Crisis Committee

Draper Fund

Suite 550, 1120 19th Street, N.W.
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New York Office:
435 East 52nd Street
New York, NY 10022
Telephone: (212) 751-9511

October 26, 1983

Mr. James W. Cicconi
Special Assistant to the President
West Wing, First Floor
The White House
Washington, DC 20500

Dear Mr. Cicconi:

In General Westmoreland's and my meeting with Mr. Baker on October 20, we discussed the possible selection of William Draper III to head the US delegation to the International Conference on Population next August in Mexico City. The Conference will bring together cabinet-level officials from all United Nations member countries to assess progress in curbing rapid population growth and to identify further measures which need to be taken.

Because we believe population pressures in the Third World bear directly on US national security, we place great importance on the Conference and on the careful selection by the White House of a delegation to represent the United States, the largest single donor government to international population programs. The effectiveness of the US delegation will depend largely on the competence and commitment of its chairman. We believe the following points make Bill Draper the most logical choice for chairman of the delegation.

- Bill Draper has a longstanding deep personal interest in international population problems as well as considerable expertise. Here he follows in the footsteps of his distinguished father, General William Draper, Jr., who was the major source of leadership for world population efforts from the late 1950s until his death in December 1974. Throughout the international population community, Bill Draper's appointment to head the US delegation to Mexico City would be welcomed as a sign of continuity in US leadership.

- As the present chairman of the Export-Import Bank, Draper has traveled widely in the Third World representing the Administration in important negotiations with senior LDC officials. He is well acquainted with the complex set of current economic and political problems which will dominate the concerns of Third World delegations to the conference. He will be at home with the substance and the politics of the debates, and well equipped to counter Third World charges that underdevelopment is the basic cause of overpopulation and that the United States and other developed countries have failed to provide adequate assistance to the developing world.

- He has no direct responsibility for domestic family planning programs or international population assistance. He has not been embroiled in the political controversies and internal debates which these programs sometimes occasion. As chairman of the delegation he would be less vulnerable than other senior Administration officials to the pressures and counterpressures of special-interest groups on both sides of these controversies.

- Finally, although he is not likely to take an active role in promoting his own candidacy, we understand from him that he would accept the assignment enthusiastically if it is offered. We judge it unlikely that anyone else at Draper's level in the Administration could be expected to show the same enthusiasm.

It may well be that other senior officials and their departments, particularly State, AID and HHS will wish to become involved in the Conference. However, the timing of the Conference - one week prior to the Republican National Convention - would presumably limit the availability of some relevant cabinet officials. Draper's appointment would in no way preclude active participation in the delegation by those agencies directly responsible for domestic and international population programs and might actually facilitate inter-agency cooperation.

We hope these points, taken together, make a convincing case for Bill Draper's appointment. Those of us who have known him and shared his interest in population issues over many years are confident that no finer choice could be made.

We are grateful for Mr. Baker's interest in this matter and put ourselves at his disposal if we may be helpful in any way.

Sincerely yours,

Marshall Green

Marshall Green

MG:hl

THE WHITE HOUSE
WASHINGTON

MARSHALL GREEN
244-5474

NSC TASK FORCE
ON WORLD POPULATION
EST'D 1975

JWC

Casey – pop studies; effect
on strat. stability
UN Fund for Popul. Activ.

Gen Westmoreland } prob need attn,
incr'd funding

(1)

Interagency TF? 17 agencies
State or NSC
set up by Ford; died --
public/priv sector involvmt
Aug '84 int'l conf on pop to be
held in Mex
Bill Draper = Pop Crisis
shares father's belief in this –

POPULATION

BRIEFING PAPERS ON ISSUES OF NATIONAL AND INTERNATIONAL IMPORTANCE IN THE POPULATION FIELD
PREPARED BY THE POPULATION CRISIS COMMITTEE, 1120 19th STREET, N.W., WASHINGTON, D.C. 20036 USA.

No. 13 **September 1983**

World Population Growth and Global Security

Postwar population growth in Africa, Asia, Latin America and the Near East has added an important new dimension to prospects for international peace and economic progress. To the longstanding interest of governments in military preparedness and internal security must be added new concerns that affect national security in less obvious but increasingly important ways. In the developing countries of the Third World these concerns include growing foreign indebtedness, unmanageable rates of urbanization, widespread unemployment, worsening economic disparities, food shortages and substandard living conditions—all factors which contribute to the expressed inability of political leaders to cope with the expectations and frustrations of burgeoning populations.

On the international level these sources of increased political instability, combined with regional pressures on natural resources, heavy migration across national boundaries and the widening gap between rich and poor countries, heighten the potential for international conflict and threaten the free movement of goods and services on which world economic well-being depends. Rapid population growth has intensified all these pressures. While rarely the immediate or visible cause of political upheaval, it is now a major contributing factor in political conflicts within and between countries around the globe.

In an increasingly interdependent, constantly changing world, the economic and political health of both rich and poor nations has come to depend on the relative stability of neighbors, allies and trading partners. The consequences of a nation's inability to cope with internal stresses, which have been aggravated by population growth, can affect the world community in many ways, through: the impact of accumulated debt on the international financial system; disruptions in supplies of energy and industrial materials; shifts in international alliances; and increases in the international flow of refugees.

The Third World's high population growth rate, because it puts additional strains on economic and political institutions and because it helps create new sources of conflict between nations, may have become as important a long-term factor in global security as the proliferation of military technology with the capability for mass destruction. In the words of Robert McNamara, former U.S. Secretary of Defense and former President of the World Bank, "Short of thermonuclear war itself, population growth is the gravest issue the world faces over the decades immediately ahead."

Population Pressures and the Internal Security of Nations

A growing number of leaders in the developing world now express open concern over the negative impact of population pressures on the future viability of their countries. Leaders of Bangladesh, Costa Rica, the Dominican Republic, Egypt, Ghana, India, Indonesia, Jamaica, Kenya, Mexico, Nepal, the Philippines and Thailand, for example, have identified population pressures as an important, and sometimes the single most important, development problem they face. Since World War II the populations of these and other developing countries have doubled, and at current growth rates most will double again in another 17 to 35 years. Even the world's richest countries would find it difficult to meet the challenges of such large additional numbers of people.

Unfortunately, the most rapid population growth is typically occurring in underdeveloped countries which are already straining to meet the most basic needs of their people and which may already be immersed in internal or regional conflicts. At current rates of natural increase most populations in the Middle East will double in less than 25 years. The populations of most Central American countries will double in 19 to 27 years. In much of sub-Saharan Africa, where governmental and economic structures are often especially fragile, population growth rates are among the highest in the world. Kenya's population, for example, will double in only 17 years at current rates.

The Urban Explosion

One of the most significant and disturbing consequences of rapid population growth has been the rate and magnitude of urbanization, especially in the developing world. Unprecedented rates of urbanization reflect not only massive migration to cities but also very high urban birth rates. In Latin America the majority of the population is already urban; other regions will follow suit over the next 30 years, precipitating sharp changes in what have been predominantly rural societies and intensifying the already heavy demands for investments, urban infrastructure and wage-labor jobs in the organized sector.

Between 1980 and 2000, the United Nations projects, over 12 million people will be added to Mexico City's population of 15 million, 9 million to Sao Paulo's 13 million, 8 million to greater Bombay's 8 million, and 7 million more to Jakarta's 7 million. The capital cities of Bangladesh and Zambia may triple in size; Lagos and Nairobi may almost quadruple. Urban agglomerations of the magnitude now projected for parts of the developing world are off the scale of human experience.

Unmanageable rates of urbanization have resulted in the spread of huge slums and shantytowns from the "bustees" of Calcutta and the "bidonvilles" of Dakar to the "callampas" or "mushroom towns" of Chile and the "pueblos jovenes" around Lima. Such makeshift communities have a doubling time of 5 to 10 years and contain an ever-growing proportion of the urban population, whether in the Near East~~, Africa,~~ Asia or Latin America. Currently, over a third of the urban population in developing countries lives in slums and squatter settlements, most without clean water, sewerage systems or electricity. In metropolitan Cairo, for instance, water and sanitation systems built to service a population of 2 million are collapsing under the burden of 11 million people.

Despite such conditions, most rural migrants are not immediately a threat to political stability because they feel better off in the city than in their home villages, where services and opportunities are even scarcer. But their numerous offspring are apparently not so easily satisfied. Political tensions in urban areas build as the more educated second-generation migrants—with higher expectations for their future—confront the reality of continued urban poverty and high unemployment. Although the impact of this growing cohort of second-generation migrants is too new to be well-documented, experienced observers of the Third World political scene view it as a major potential source of upheaval. Such observers note that the visible contrasts of wealth and poverty in cities, often combined with awareness of widespread corruption, contribute to frustration and political alienation. At the same time, urbanization disrupts the social bonds and cultural values which governed life in the village and diminishes family and community controls over disruptive behavior. When, in addition, diverse ethnic and tribal groups are thrown into unaccustomed proximity and competition, the potential for strife is perceived to be greatly heightened.

Slums in Selected Principal Cities and Urban Doubling Times

City	Slums and squatter settlements as percent of city's population*	Urban population doubling time**
LATIN AMERICA		
Bogota (Colombia)	60 percent	22 years
Mexico City (Mexico)	46 percent	18 years
Caracas (Venezuela)	42percent	18 years
MIDDLE EAST and AFRICA		
Addis Ababa (Ethiopia)	79 percent	11 years
Casablanca (Morocco)	70 percent	14 years
Kinshasa (Zaire)	60 percent	14 years
Cairo (Egypt)	60 percent	21 years
Ankara (Turkey)	60 percent	17 years
ASIA		
Calcutta (India)	67 percent	19 years
Manila (Philippines)	35 percent	18 years
Seoul (South Korea)	29 percent	19 years
Jakarta (Indonesia)	26 percent	19 years

*latest documented figures available, currently used by the United Nations and other expert sources, ranging from 1966 to 1981

**length of time, at current growth rate, for the country's urban population to double in size

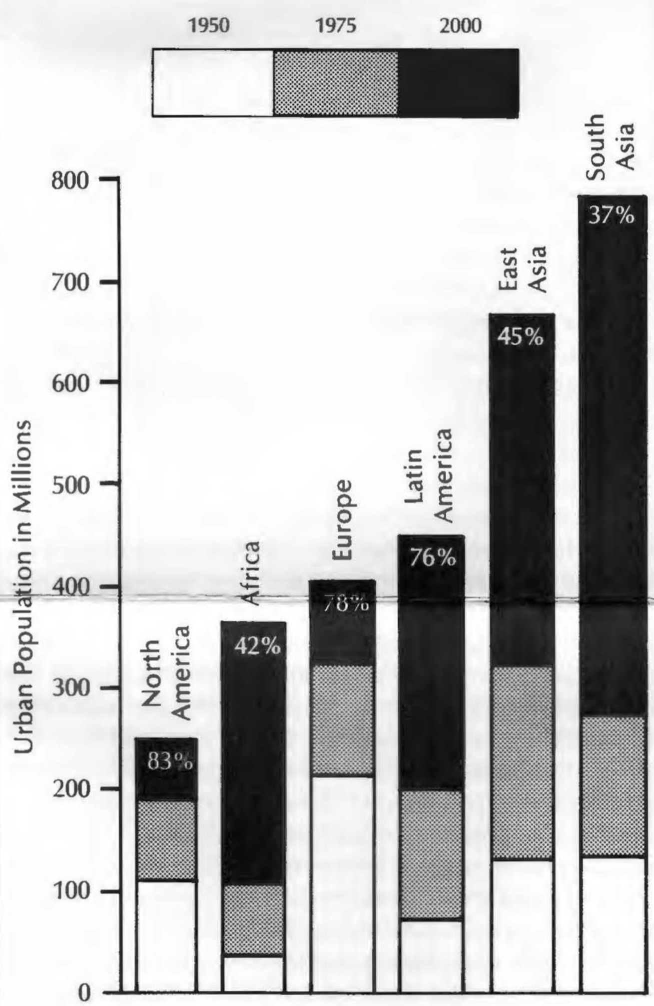
Sources: United Nations; U.S. Agency for International Development; Municipality of Addis Ababa, 1981.

Pressure on Rural Lands

Although high urban birth rates are currently responsible for more than half of city growth in the Third World, population pressures ensure that heavy farm-to-city migration will continue to swell urban areas, even if urban birth rates decline. Where unequal distribution of land, changing crop patterns, mechanization or other factors already have squeezed peasant land holdings, high rural birth rates have made a bad situation worse, contributing to landlessness or to further fragmentation of small holdings as families divide available land among an ever larger number of surviving children. Land reform programs and efforts to create alternative rural employment, however important in the short run, may be swamped by rural labor force growth unless high birth rates can be curbed. For some countries the situation is already extreme. The proportion of rural landless is generally estimated to be at least 20 percent in a number of Third World countries and is in some cases much higher, as for example in El Salvador, Costa Rica, Colombia, Kenya, Bangladesh and India. In Asia as a whole around 30 percent of the agricultural labor force is landless.

Particularly in Latin America, where most arable land is held in large estates, population pressures contribute to political strife. The crisis in El Salvador, for example, is traceable in large degree to land use, land tenure and social stratification patterns that have been aggravated by a rise in population from two million in 1950 to five million in 1980. By one estimate the number of landless or nearly landless households in El Salvador has reached 70 percent, and the country's population is expected to increase to almost 9 million by the year 2000. Meanwhile, the Salvadoran labor force has grown from 650,000 to 1.5 million and is projected to reach 2.9 million by the end of the century. The interrelated problems of high urban unemployment and rural landlessness are aggravated by continued high birth rates in the countryside.

Urban Population Growth and Percent Urban in Year 2000, by Region



Source: *Demographic Indicators of Countries: Estimates and Projections as Assessed in 1980,* United Nations, New York, 1982.

Disaffected Youth

Because of rapid population buildup following the Second World War, the age structure of developing countries is disproportionately young—almost 40 percent under age 15 compared to 23 percent in the industrialized countries. Some 20 percent—almost 700 million strong—are in the 15-to-24 age group. The aspirations and achievements of this potentially volatile cohort, as they enter the workforce and develop an awareness of social issues, reflect heavily on the political stability of developing nations. Under favorable conditions these young people might be a force for political reform and economic progress. But under the conditions now existing in many developing countries—high unemployment, low living standards and wide disparities of wealth and opportunity—they may become the dry tinder for political extremism.

Further down the age ladder, but with sobering implications for the future, are the 1.3 billion Third World children—a veritable tidal wave of new job seekers whose impact will be felt before the end of this century. A third of these children have spent their entire lives in temporary slum shelters. Increasing numbers have been literally abandoned by their impoverished parents and forage for themselves in the streets of major cities. In Brazil, with a total population of 130 million (and until recently a high rate of economic growth), there are an estimated 11 million such "street children" and another 14 million children growing up in extreme poverty.

The developing world's rapid evolution into an urban society concentrates much of this disproportionately large youth population in congested slum areas close to the seats of power. The cities in turn provide the intellectual leadership and social stimulus for mass mobilization of unemployed, disaffected youth. Urbanization also increases access to modern communication, which magnifies the inequities within and between countries and publicizes political movements in other countries. Leaders of developing countries view with alarm the increased potential for organized violence emerging from this combustible combination of demographic and social factors threatening the process of orderly political change even in countries with a commitment to social reform. Leaders of Western powers, against whom political rhetoric and violence are often directed, may also have cause for concern.

The Growing Jobs Gap

Each year, tens of millions of young people worldwide enter a job market that is able to absorb only a fraction of new entrants. Although unemployment (or underemployment) among youth is nearly universal, in the non-petroleum-exporting countries of the Third World demographic trends make the problem all the more intractable.

The International Labor Office (ILO) estimates that almost 700 million persons will be added to the labor force of the developing world between 1980 and 2000. The work forces of a number of countries—Algeria, the Dominican Republic, Jordan, Lebanon, Malaysia, Mexico, Morocco, Nicaragua, Nigeria and Syria, for example—will more or less double.

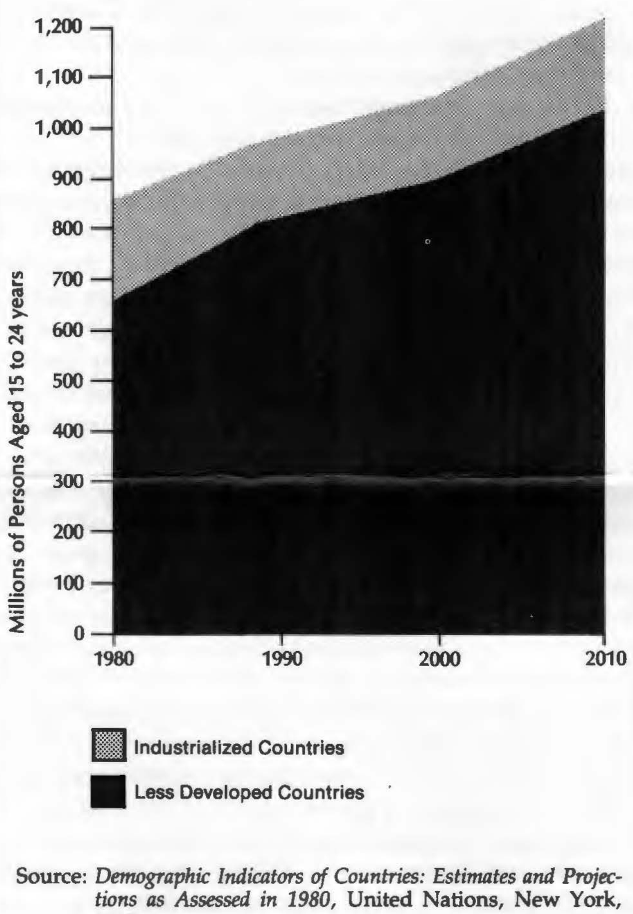
Barring an economic miracle of international proportions, labor force growth in the Third World will far exceed the number of jobs available. Already the developing countries suffer from a combined unemployment and underemployment rate of around 40 percent. Unemployment poses a major political challenge even to middle-income countries such as Brazil, where public unrest recently erupted into riots as new layoffs in Sao Paulo added to the nearly one million jobless in Brazil's six largest cities.

Between 1960 and 1973, a period of fair to good rates of economic growth, an estimated 150 million new jobs were created in the organized sectors of developing countries, but in the same period the labor force increased by nearly 168 million. In the years ahead, labor force growth will continue to accelerate. The ILO now calculates that a steady increase in new jobs, from 26 million a year in 1980 to 37 million a year by 1990 and 52.4 million a year by 2000, will be needed to absorb the projected expansion of the labor force and reduce underemployment in the developing world. If international trade, development aid and private foreign investment expanded substantially, prospects for meeting the jobs gap in the developing world might be improved. But reality suggests that the bulk of Third World jobs will have to be generated through the efforts of developing countries themselves, using their own scarce capital and other resources more efficiently. Given the obstacles, most economists predict lower rates of economic growth in coming years than in the past.

Demographic factors contribute to poor economic prospects. Aside from over-rapid labor force expansion, high birth rates and the resulting high ratio of dependent children to economically active adults can retard economic progress in several ways. Although increases in Gross Domestic Product (GDP) are a measure of overall economic growth, changes in GDP *per capita* are a better indication of living standards for the majority of people—a fundamental factor in internal political stability. Despite increases in overall national income during the past decade, many of the economic gains of the Third World have been cancelled out, on a per-capita basis, by the steady rise in population. In some Latin American and African countries income per capita has actually declined. Comparisons of developing countries show that those with higher average annual growth in GDP per capita over the last 20 years have, not coincidentally, been those with lower fertility.

In theory moderate population growth can stimulate innovation and investment. But under the conditions of capital and resource scarcity that exist in most Third World countries, rapid population growth can slow the absorption of people into the modern economy, in part because a greater proportion of national income is required to meet short-term consumption needs (such as food and shelter) and is not available for investments in infrastructure and industrial capacity which could create jobs and raise productivity. High fertility and dependency ratios limit the potential for domestic savings and increase reliance on foreign borrowing to fuel economic growth. The consequent need to service large foreign debts represents a further drag on economic development.

Growth in Number of Young Adults (aged 15 to 24 years)



Source: *Demographic Indicators of Countries: Estimates and Projections as Assessed in 1980*, United Nations, New York, 1982.

Implications for Peace and Prosperity in an Interdependent World

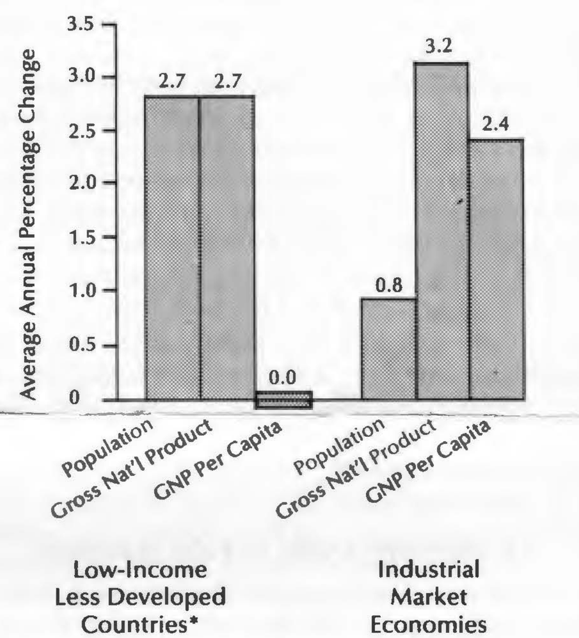
Industrialized and developing nations alike face challenges over the next two decades which are more likely to be met if world trade and economic cooperation increase and if international political tensions are minimized. The economic and political viability of many individual countries, whatever their level of development or ideological orientation, therefore has important consequences for international peace and prosperity. The overthrow of a single government (such as Iran) or the bankruptcy of an important Third World economy can produce sudden changes in regional political alignments, trading patterns, access to vital materials and international financial arrangements. Because unmanageable population pressures add significantly to the strain on economic and political institutions, in many strategically located countries they undermine the predictability of a whole range of intricate international relationships. Moreover, high rates of population growth combine with other factors to intensify existing strains between countries—not only the strains which have pitted industrialized countries of "the North" against poorer countries of "the South," but those which result from regional population pressures on limited natural resources and economic opportunities. When such latter pressures are overlaid with religious, ethnic or longstanding national antagonisms, the possibility of violent conflict is increased.

The "North-South" Gap

To the extent that excessive population growth frustrates economic development, it is a subtle but important factor in the large gap between the per-capita incomes of rich and poor nations (just as excessive fertility is sometimes a factor in family income differentials). In absolute terms this North-South income gap is steadily widening. Income per capita now exceeds $8,600 a year in developed countries, but is below $750 a year on average in developing countries and below $410 in the 34 poorest countries of the world. Simple arithmetic suggests that if economic growth rates in developing countries are no more than equal to those in industrialized countries the income gap between them must necessarily increase in the future. If Third World population growth cancels out some of the hard-won improvements in total income, the gap between rich and poor countries will increase that much faster.

The present politicization of international economic relations and in particular their polarization along North-South lines are intensified by such trends. The impact of population growth on an interdependent world economy, however, goes well beyond the issue of income gaps. It also influences the long-term viability of global economic relationships and institutions.

Growth of Population, Gross National Product and GNP Per Capita 1970 to 1980



*The World Bank defines countries with 1980 GNP per person of $410 and below as low-income; figures above exclude China and India.

Source: *World Development Report, 1982,* World Bank.

Population Growth and Third World Debt

By requiring ever-higher expenditures of scarce foreign exchange on such essential consumption items as food, rapid population growth has in some instances contributed to the foreign indebtedness of developing countries. Despite increases in agricultural production, many developing countries are becoming more and more dependent on food imports, particularly to meet the often subsidized food needs of their growing urban populations. Resulting balance of payments problems worsen the borrowing positions of developing countries and limit their ability to obtain development financing, including the capital needed to expand farm production through imports of technology and agricultural inputs.

Reducing food imports and subsidies may entail high political costs, however, since food pricing policies and disruptions in supplies can produce violent public reactions. Egypt's attempts to reduce food subsidies in 1977 led to widespread rioting in Cairo's slums. Egypt (with a ratio of population to arable land among the highest in the world) now devotes almost 10 percent of its GNP to food subsidies in order to forestall further public eruptions over the issue. Food imports are not the only source of concern. In a number of developing countries, unless export earnings increase substantially, the austerity measures which may be needed to correct balance of payments problems and long-term indebtedness could affect the supply of a whole range of basic consumer goods. Few governments are secure enough to enforce such measures effectively without igniting public outbursts.

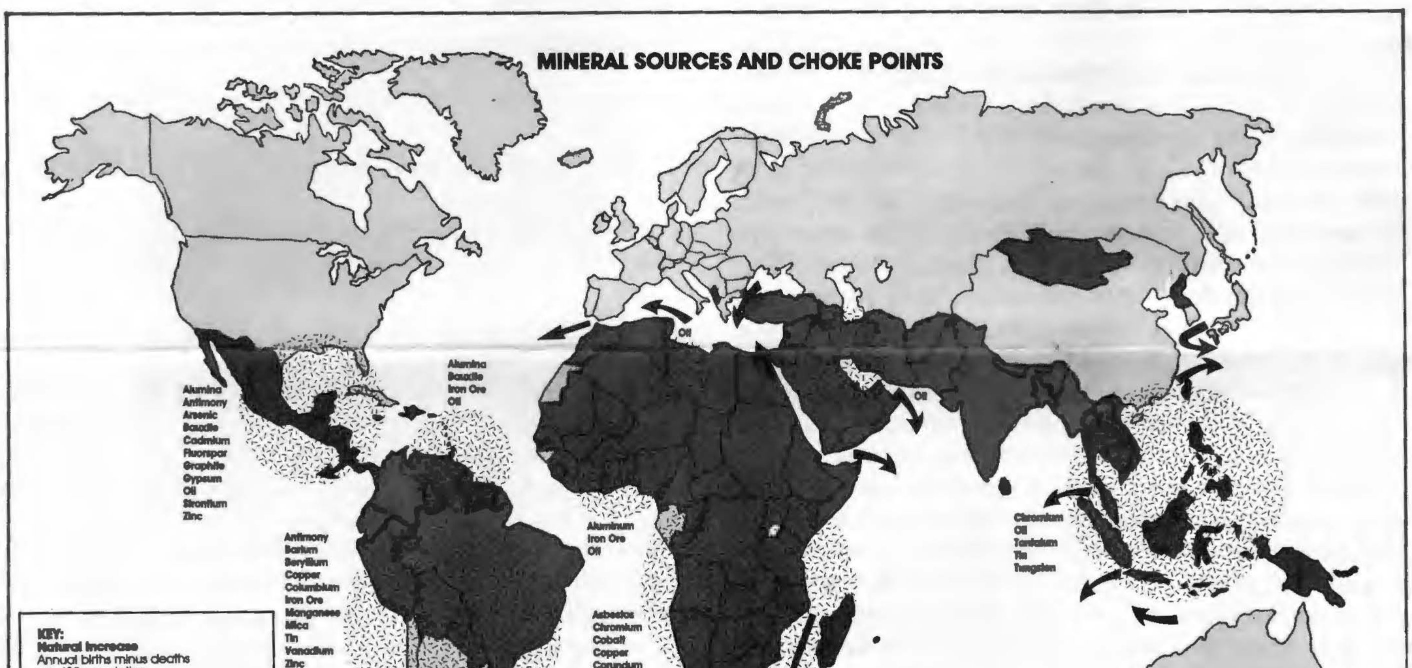
The Third World debt burden not only hinders national development, it threatens to undermine the global financial system and with it the stability of the banking systems of a number of industrialized nations. Current external indebtedness of the non-oil-exporting LDCs is approaching $600 billion. The ability of these countries to repay their loans is becoming increasingly strained; in 1982 they needed over $100 billion for debt service alone, representing close to 25 percent of their exports of goods and services. Long-term prospects for repayment depend on political stability and higher rates of economic growth, both of which are clouded by excessive population growth.

Protecting Trade in Vital Materials

Modern economies and the modern sectors of most Third World economies depend to some degree on imports of energy supplies, key minerals and other vital raw materials to sustain and expand industrial output. About 20 of these commodities (including, for example, cobalt, manganese, chromium, platinum and vanadium) are also considered critical to modern military establishments. With the exception of a few very large and resource-rich countries such as the Soviet Union, no country has access within its own borders to all or even most of these essential raw materials. Among the industrialized countries, Japan and Western Europe are heavily dependent on imports. Most middle- and low-income countries have more than adequate supplies of a few mineral resources but are totally lacking in others. Although conservation measures, stockpiling, exploration and substitutes can reduce the dependency of some countries on some commodities, global interdependence is increasingly a fact of life.

The maldistribution of world resources for so many industrial raw materials gives nearly all countries—importers and exporters—a shared interest in a stable and open global economy which guarantees access to supplies and markets for exports at predictable prices. This shared interest extends as well to the sea and air lanes which carry the bulk of international commerce and to the international monetary system which finances it.

Demographic trends enter into this picture because the majority of countries which are the principal exporters of vital raw materials, such as Brazil, Indonesia, Iran, Mexico, Nigeria, Venezuela, Zaire and Zimbabwe, or which guard the "choke points" on international sea



lanes, such as Egypt, Malaysia, Morocco and Panama, all suffer from population pressures. Many exporting countries that are landlocked are surrounded by neighbors whose population growth rates are equally high, increasing the odds that domestic strife or localized regional conflict will disrupt the production and transshipment of important commodities. Obviously population pressures do not act independently or directly to produce these situations. But they are a critical underlying factor, contributing to a steady increase in the level of political tension within and between countries and making sudden outbreaks more likely or more uncontrollable when they do occur.

World markets can adjust to some temporary disruptions in trading patterns without serious harm to industrial production and military preparedness. But a coincidence of violent outbreaks affecting key suppliers of one or more commodities could create a substantial level of economic chaos. Barring determined action to curb birth rates, destabilizing population pressures in many strategic developing countries are likely to worsen over the coming decades, increasing the possibility of frequent disruptions in the trade of vital materials.

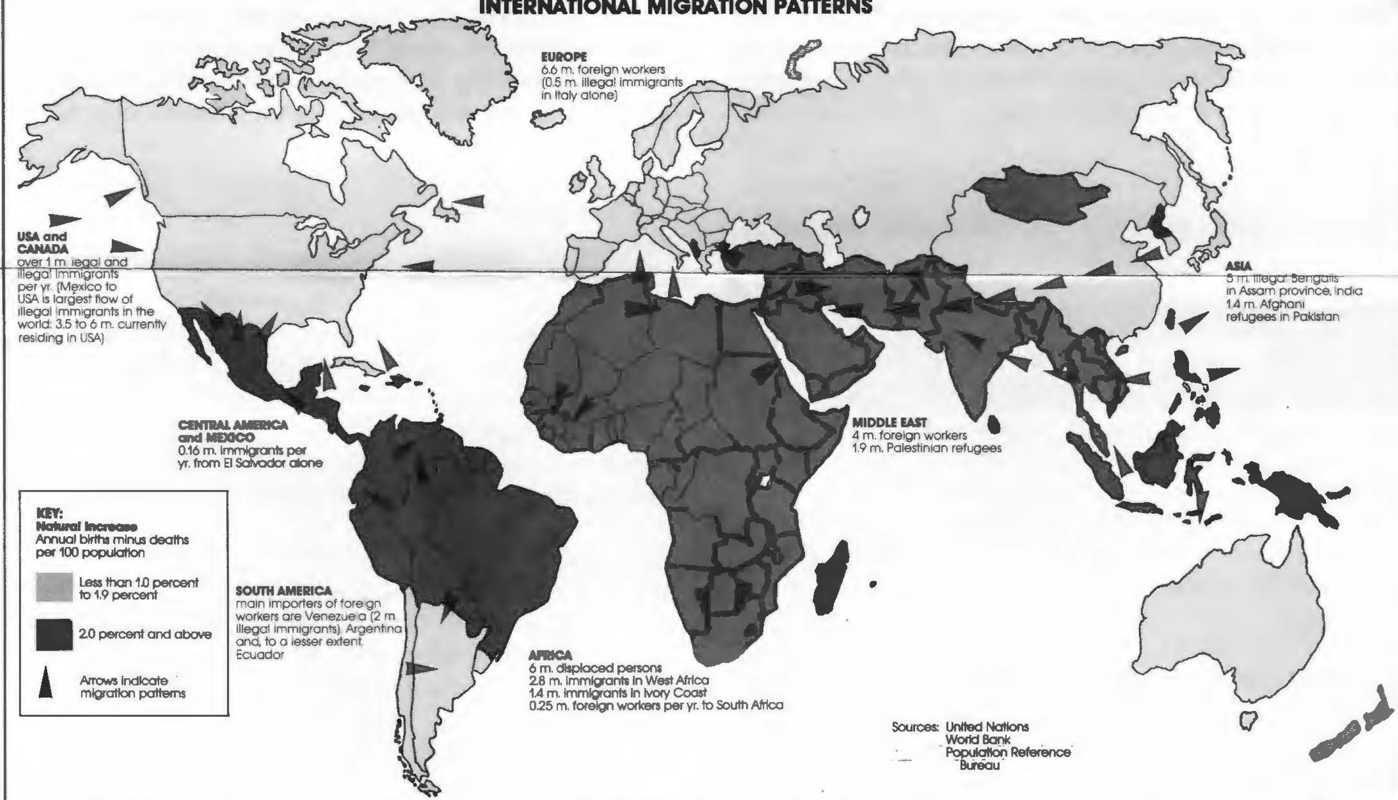
Pressures Across National Borders

Although not yet a major source of international tension, the steady increase in international migration (especially the unauthorized flow of political or economic refugees across common national borders) and the transnational effects of population growth on shared natural resources will inevitably contribute to localized conflict in regions of the globe as divergent as Central America, the Indian Subcontinent and West Africa. One early example of such an incident is thought to be the 1969 "Soccer War" between Honduras and El Salvador, in which the presence of a large community of Salvadorans in Honduras intensified political hostilities between the two countries, turning a minor fracas into a major conflict.

As rapid labor force growth compounds the problems of unemployment and underemployment in the developing world, incentives increase for people to seek better job opportunities by migrating, temporarily or permanently, legally or illegally. Political instability and local conflict add their share to the migrant flow. At the same time, better access to transportation and information about other countries has effectively lowered some traditional barriers to international migration.

International migration has benefited the economies of both sending and receiving countries in many ways, but it is becoming clear that there are limits to the numbers of foreign workers or refugees receiving countries are able to absorb without precipitating serious social problems. The magnitude of current migrant flows and their impact on host countries are particularly apparent in the Western Hemisphere, Southern and West Africa, South Asia and the Middle East. Foreign

INTERNATIONAL MIGRATION PATTERNS



workers in the Middle East, totalling some four million, already constitute half the total workforce of some countries. In 1975 there were 2.8 million foreign nationals living in various West African countries; in the Ivory Coast immigrants make up about a fourth of the total workforce and are highly concentrated, comprising one third of Abidjan's population and 55 percent of its workers. In Kuwait, the percentage of population growth due to international migration is estimated to be about one third.

Despite the importance of immigrant workers to the economies of many recipient countries, they are a potential source of political conflict. Foreign workers may prevent wages from rising, particularly in the lowest-paid sectors, and they may increase the demand for certain public services. The sheer numbers involved tend to intensify social and political friction between some immigrant and native populations.

While emigrant movements are not new, the scale of present flows is unprecedented and the capacity to absorb them is evidently lessening among already overburdened developing countries such as Kenya and Thailand as well as among those industrial countries whose growth rates have slowed. The doors have been closing for foreign workers in Western Europe and in a number of oil-producing countries. Furthermore, increasing ethnic consciousness and nationalism, whether a reaction to economic recession or simply a function of the present size of foreign worker populations, has produced strong anti-immigrant sentiment over the last few years. Incidents involving immigrants, such as the mass expulsion of foreign workers from Nigeria and the violent Assam riots in India, may be on the rise. Even in the United States, whose liberal policies and porous borders have given encouragement to larger numbers of immigrants than any other country, public sentiment is beginning to turn against them.

Regional Politics and Great Power Rivalries

Throughout history governments have associated military power and international influence with large and growing populations. But a population that is increasing out of proportion to its natural resources and economic development (and to the evolution of those social institutions needed to govern it) may be diminishing its capability for self defense.

Many heavily populated poor countries are increasingly a threat to their neighbors, less because of their potentially large armies (the spread of sophisticated weapons has shifted the emphasis from quantity to quality) than because of their heightened potential for domestic clashes and the fact that such political violence no longer respects national boundaries. Guerrilla sanctuaries, refugee flows and clandestine arms shipments draw neutral neighbors and opportunistic rivals into internal conflicts whose outcome may then radically shift political alignments and undermine the security of countries throughout the region. Where the interests of the superpowers are involved—however minimally—localized conflicts can quickly take on international dimensions.

It is only recently that policymakers have begun to factor demographic trends into long-term security considerations. But it is a variable which, however elusive, can no longer be ignored. High population growth rates in so many sensitive parts of the world will most certainly magnify and intensify social and economic problems—including most importantly the problems of governance—in the decades ahead. The unprecedented increase in human numbers will produce enormous strains on existing institutions at the national as well as the international level. Population pressures will contribute to making the world a more dangerous place, and no country will be insulated from their effects.

POPULATION

BRIEFING PAPERS ON ISSUES OF NATIONAL AND INTERNATIONAL IMPORTANCE IN THE POPULATION FIELD
PREPARED BY THE POPULATION CRISIS COMMITTEE, 1120 19th STREET, N.W., WASHINGTON, D.C. 20036 USA

World Population Growth and Global Security
No. 13 September 1983

ISSN 0197-2235
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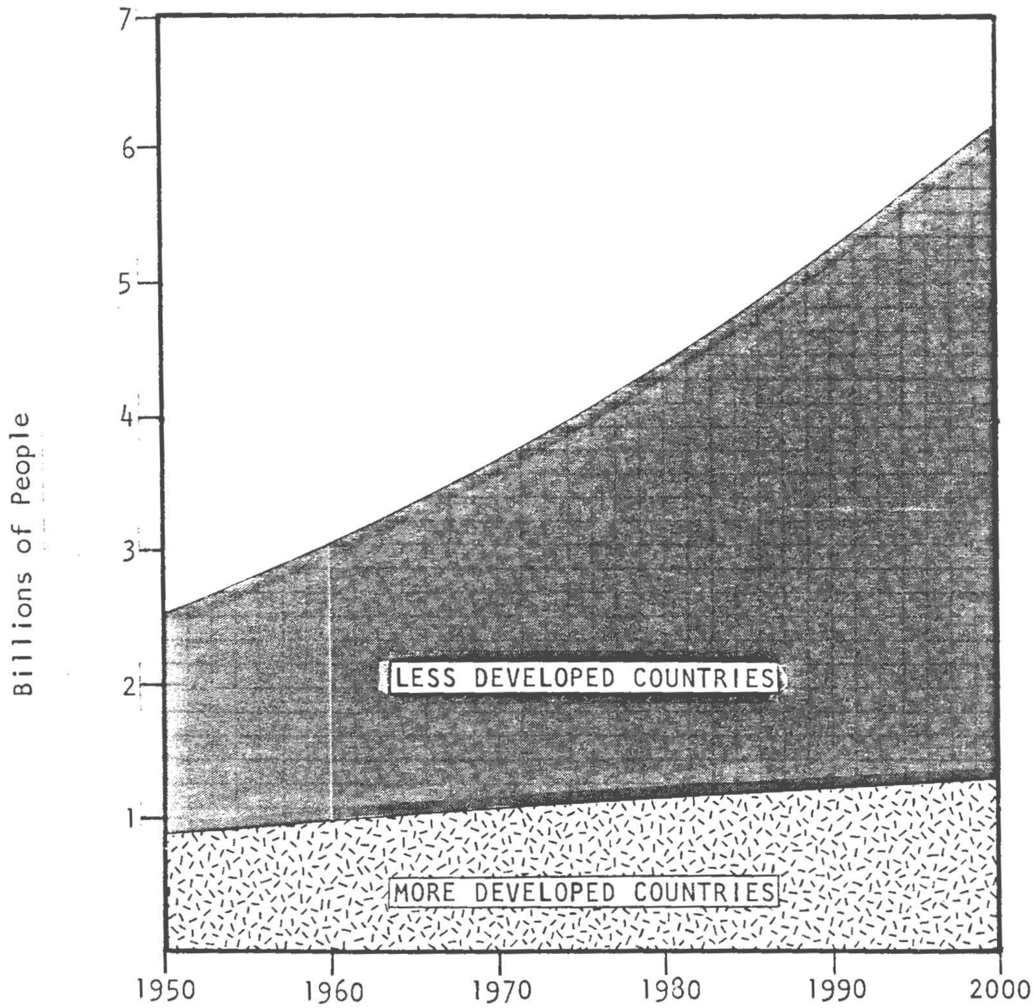
BASIC DEMOGRAPHIC TRENDS

1950 TO 2000



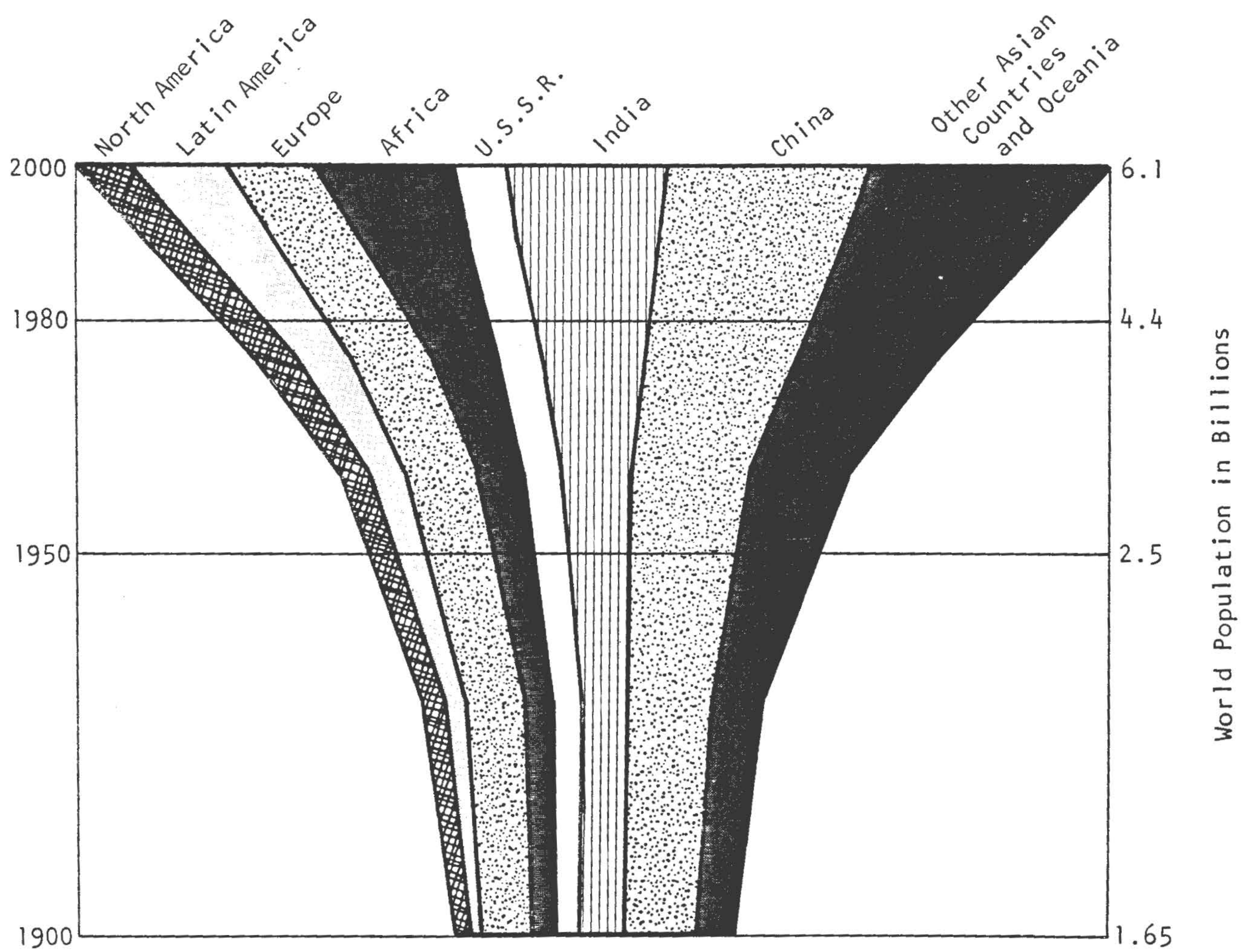
While the population of the industrialized world is growing very slowly, that of the developing world is expanding enormously. Many developing countries are unable to meet the demands for jobs, housing, health care and education of their current populations - yet 90 percent of the world's population growth is occurring in developing countries.

Excessive and rapid population growth will adversely affect economic progress in many developing countries by intensifying unemployment and underemployment; absorbing resources needed for investment in development; lowering per capita living standards; and contributing to the income disparity between rich and poor.

Source: Population Reference Bureau

POPULATION GROWTH AND DISTRIBUTION

1900 TO 2000



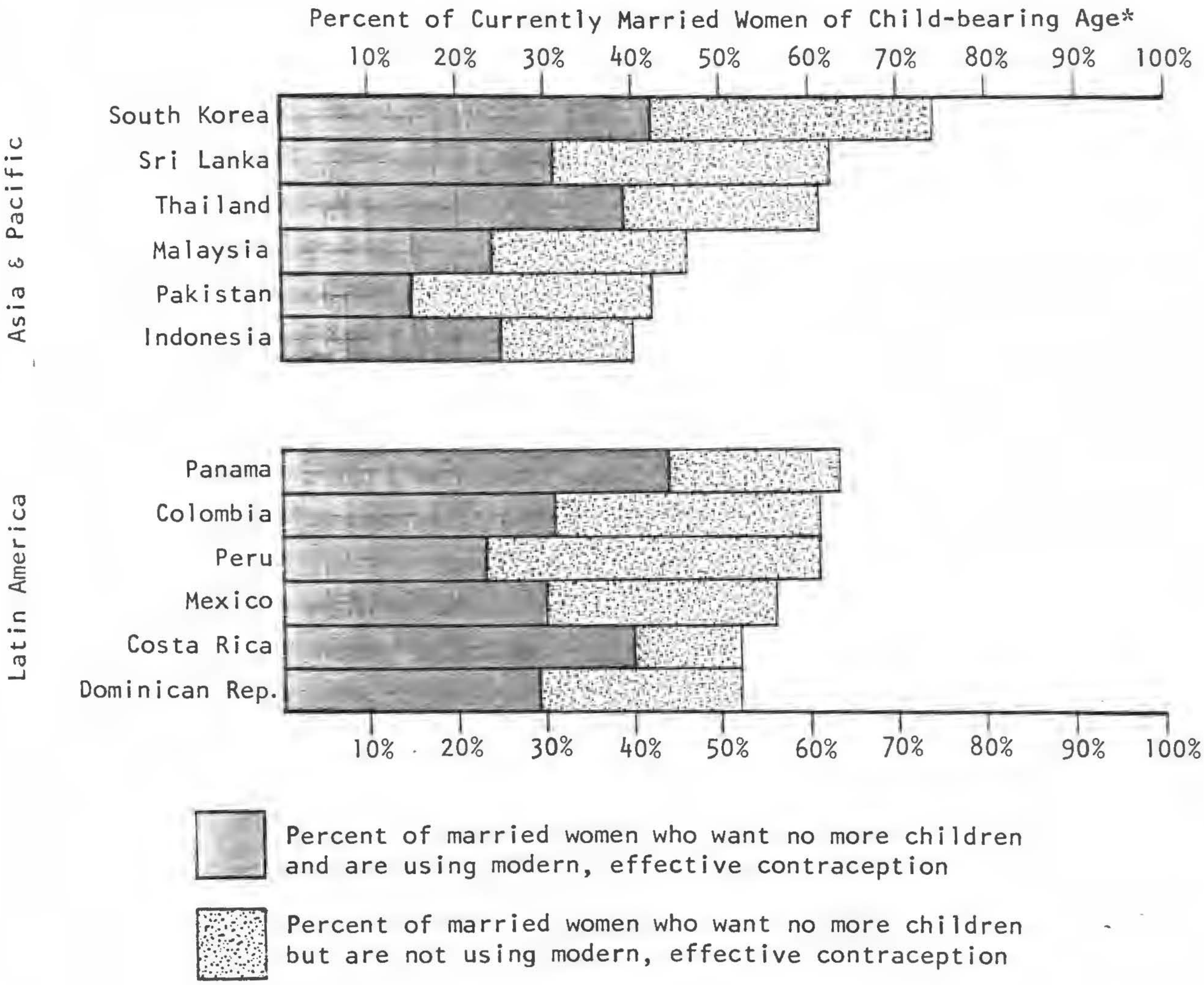
Every three years the earth's population grows by about as many people as are currently living in the United States. Ninety percent of this growth takes place in the developing world, which is ill-equipped to support larger populations.

The proportion of dependent children in most developing countries is over 40 percent of the total population. This high ratio forces governments to provide funds for immediate consumption, restricting private and public savings and inhibiting investment.

Source: Population Reference Bureau

WOMEN WHO WANT NO MORE CHILDREN

BUT ARE NOT USING MODERN, EFFECTIVE CONTRACEPTION



While the practice of contraception is increasing in developing countries, there is still a large unmet need for family planning services among a substantial proportion of the population. In some countries, over half of the married women who want no more children remain unprotected from pregnancies.

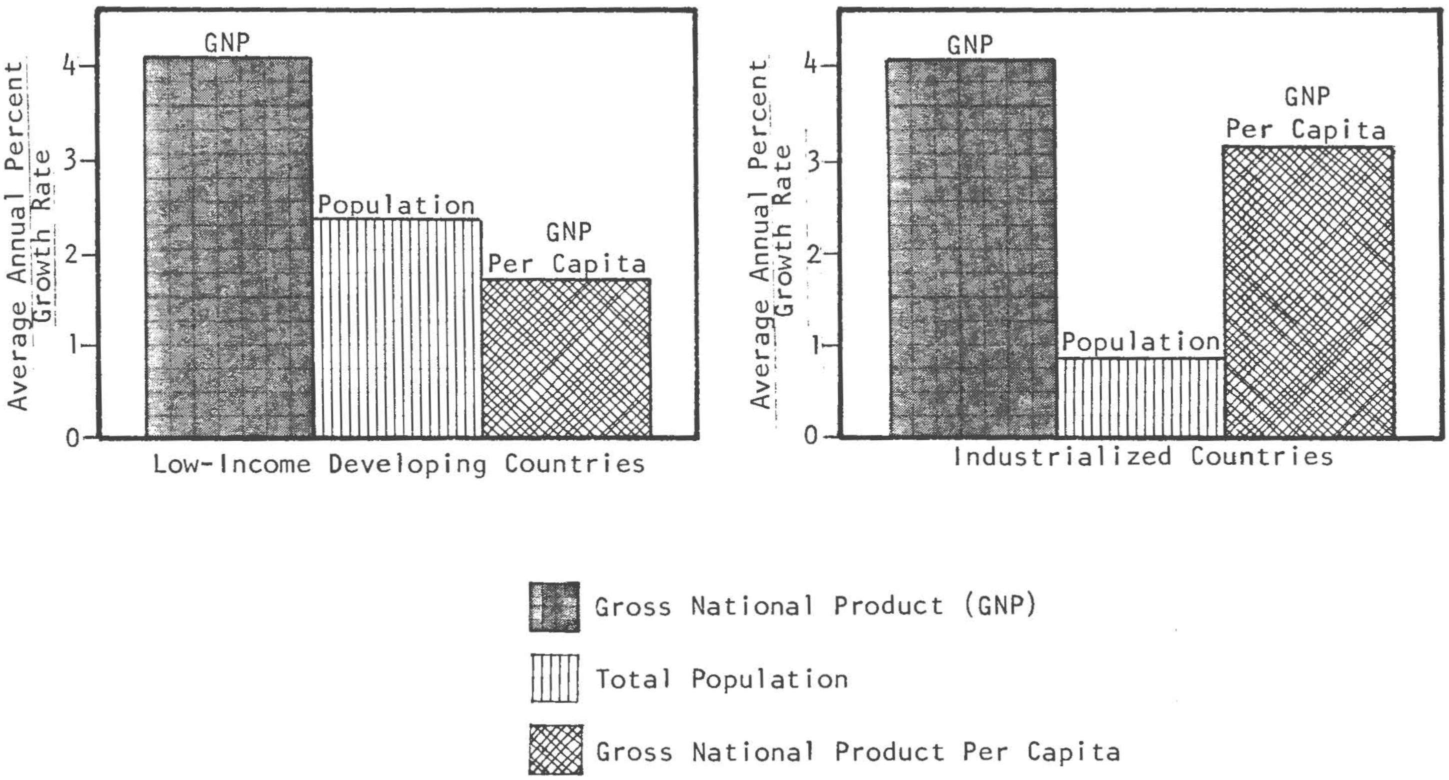
*15-44 years

Source: M. Kendall, "The World Fertility Survey: Current Status and Findings," Population Reports, series M. no. 3, July 1979, Population Information Program, Johns Hopkins University, Baltimore, Maryland.

IMPACT OF RAPID POPULATION GROWTH ON PER CAPITA INCOME GROWTH

Average Annual Growth in Gross National Product, Population and GNP Per Capita

1960 to 1980

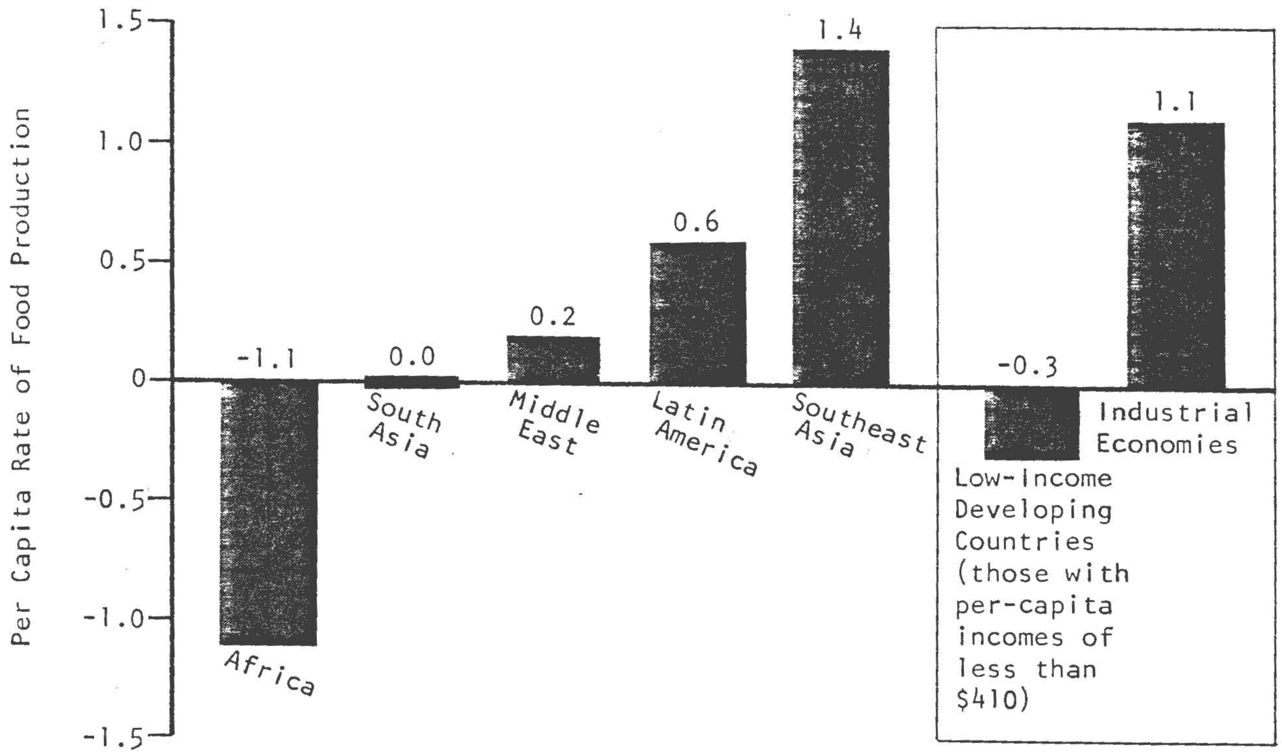


Even though from 1960 to 1980 low-income developing countries had overall economic growth rates roughly equivalent to those of industrialized countries, gains in per capita income - essential to raise individual living standards - were impaired by rapid population growth. Substantial investments in human resources were also outpaced by demographic growth.

Source: Population Reference Bureau

PER CAPITA FOOD PRODUCTION

1970 TO 1980



During the 1970-80 decade, worldwide agricultural output increased by 2.2 percent per year; but population growth sharply reduced the per-capita benefits of increased food production. In South Asia food production just kept pace with population growth. In Africa - and in the low-income developing countries in general - food output per person actually declined.

It is worth noting that the highest population growth rates in the world are found in Africa. The countries of Southeast Asia, on the other hand, have made the greatest progress among developing countries in lowering their birthrates.

Note: China is excluded from these figures.

Source: United Nations
World Bank

PROPORTION OF FUNDING PROVIDED BY SELECTED LDCs FOR NATIONAL POPULATION ACTIVITIES

1980

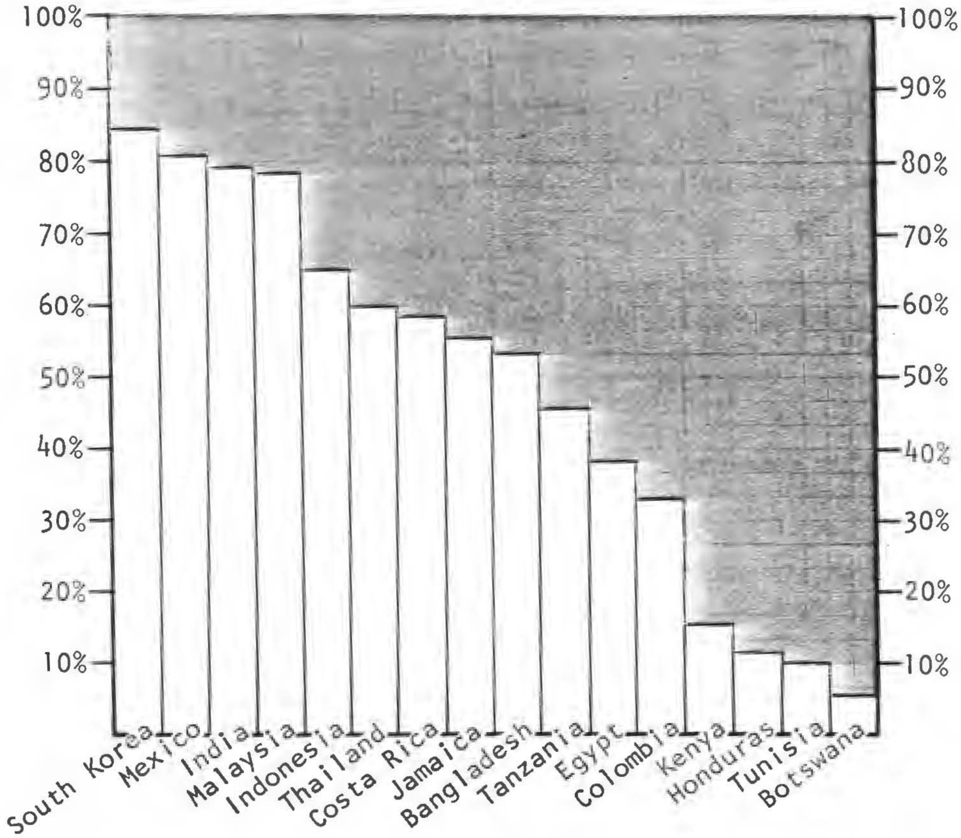


Table includes selected LDCs for which data is available on national budgetary allocations to population and family planning.

A large number of LDC governments feel that rapid population growth has a serious negative impact on their development efforts and are increasing their budgets for national population programs. Countries such as South Korea, Mexico, India and Malaysia now provide most of the funds for their family planning activities. Whereas in the 1960s most population programs were funded by foreign assistance, today many developing countries provide a substantial portion of needed funds.

Source: Office of Technology Assessment,
Congress of the United States

THE WHITE HOUSE
WASHINGTON

November 9, 1983

TO: CRAIG FULLER

Attached is a strong letter to Jim Baker from Roger Milliken on the subject of textiles. It appears to be, at least in part, a reaction to an earlier letter from Ed Meese.

Could your office see that the appropriate agency people receive a copy of the attached? Also, JAB would appreciate it if your office could staff a response to the letter itself.

Thanks much.

Jim

Jim Cicconi

Milliken, Roger

MILLIKEN
Roger Milliken
President

November 3, 1983

James A. Baker, III, Esq.
The White House
Washington, D. C. 20500

Dear Jim:

I was glad to get the letter from Ed Meese dated October 19th to me about the textile situation.

It was received in my office when I was attending a directors' meeting of the American Textile Manufacturers Institute where the primary subject of conversation was the incredibly adverse impact on the textile industry and its future caused by the continuing dramatic increase in imports.

As I wrote you earlier, we have all year forecasted that this was going to be a disaster year for imports in spite of the fact that officials in the Administration told us that the growth in imports that took place in the early part of the year would not be sustained through the whole year. As you now know, the September increase was particularly dramatic and raised the total for the year up almost one percentage point from 20 percent increase over 1982 to 20.75 percent year to date.

What really disturbs us is the fact that your letter that was written to me and signed Ed Meese on October 19th was not put into the mail in Washington until the 26th of the month. In that letter I was asked to get in touch with Wally Lenahan for input about the textile situation before the Cabinet committee met on what to do about textiles. I did not receive the letter until two days after the Cabinet committee met. [redacted] Does this mean that the Administration places a very low priority on the problem that has caused 140,000 people not to have jobs this year that would otherwise have been available if the President had lived up to his written and oft-restated commitment to control the rate of growth of imports to the rate of the growth of our market?

On the measurement used, the projected increase for 1983 over 1982 will be 1.4 billion square yards equivalent, and this means that the United States will have lost the opportunity to employ 140,000 people, which would have been the number required to make that equivalent yardage. This job displacement is in addition to the some 600,000 American jobs already lost to textile/apparel imports.

This continuing climb in imports and the projection for the next few years signals the demise of a large section of this great industry with all the resulting unemployment. The Board of Directors of the American Textile Manufacturers Institute at a meeting which was attended by over 100 people was so distressed that they moved the attached resolution which properly represents their concern.

> "The textile and apparel import statistics announced today (October 28th) indicate that the U.S. textile and apparel industry faces an increase of 1.4 billion square yards this year. This level of imports is the equivalent of 140,000 American jobs.
>
> When the import surge began earlier this year, some in the Administration said the volume of imported textiles and apparel should begin to decline later in the year. We warned they would not because we could not see how they could decline under the present quota system.
>
> We regret that we were right, as shown by the record increases for the month of September and thus far in 1983.
>
> We wonder how many more months of record increases it will take before this Administration becomes convinced that the present quota system and other measures for moderating import growth simply are not working and must be changed."

We know the Administration is worried about its relationships with China, but people from our industry and the cotton-growing industry who have recently visited China come back full of reports about the smiles from the Chinese as to how they outwitted the Americans in trading out the textile quota. They threatened to reduce their purchases of cotton and grains but they point out they will always buy these products wherever they can get them cheapest, and it has nothing to do with the reciprocal nature of their exports to the United States.

As I also believe you know, we are deeply disturbed as an industry about the fact that the PRC is subsidizing its textile exports by giving 40 percent more local currency for the textile products which China exports to the United States and that, in addition, they have a capital subsidy.

This is a clear case for the imposition of countervailing duties! Yet, the Commerce Department is conducting a public hearing on the matter which constitutes a serious delaying action.

We would like to point out that this year the number of bales of cotton which will be imported into the United States in the form of cloth or garments amounts to 1,900,000 equivalent bales of cotton.

The most careful studies show that only 400,000 of these bales were exported by the U.S. as raw cotton to the countries shipping back cotton-containing products to the United States. This means that we are importing 1,500,000 bales of cotton which could have been grown in the United States and thus increased the domestic cotton market for the American farmer. (There is currently a raw cotton quota of 30,000 bales of upland cotton, yet we are now letting these 1,500,000 bales enter disguised as cloth or garments.)

Beyond this, we are now told by knowledgeable people in the government that in 1984 under the present textile program the growth of square yards equivalent coming into our market cannot be held below 15 percent. With imports now claiming 40 percent of our apparel market, and growing by almost 15 percent a year, we can see that the number of jobs in the textile/apparel industry will shrink by another 100,000 next year (creating that much unemployment or short time), and the country will be faced with a weekly announcement of closed textile mills and garment manufacturing operations. I am attaching a chart showing what is happening in imports and what will happen if we continue growth of imports at a 15 percent rate.

The textile/apparel industries will be fighting as hard as they know how to increase their quality and their productivity which is already very, very high, and some will survive for a few more years. But, I write to point out that the loss of another 100,000 jobs in 1984, is going to exact a very severe toll amongst those who are supporters of Ronald Reagan and Republican members of the Congress. It is very difficult for people to understand why the President of the United States is not able to live up to his widely-advertised commitment to control the growth of imports to the growth of the American market, and I am afraid that this is going to be an adverse impact in the elections 1 year from today.

I believe that the only solution to this problem is the adoption of a plan of total control of global imports of textile and apparel, and, in the interests of American employment, I urge you to make this happen. It will keep jobs in an industry that employs more women and minorities, as a percent of its total employment, than any other manufacturing industry in the United States--and an industry that not only has large employment in the Southeast but is also the largest manufacturing employer in New York City, Los Angeles, Miami, and has more employees in the State of Pennsylvania than are employed in the steel industry.

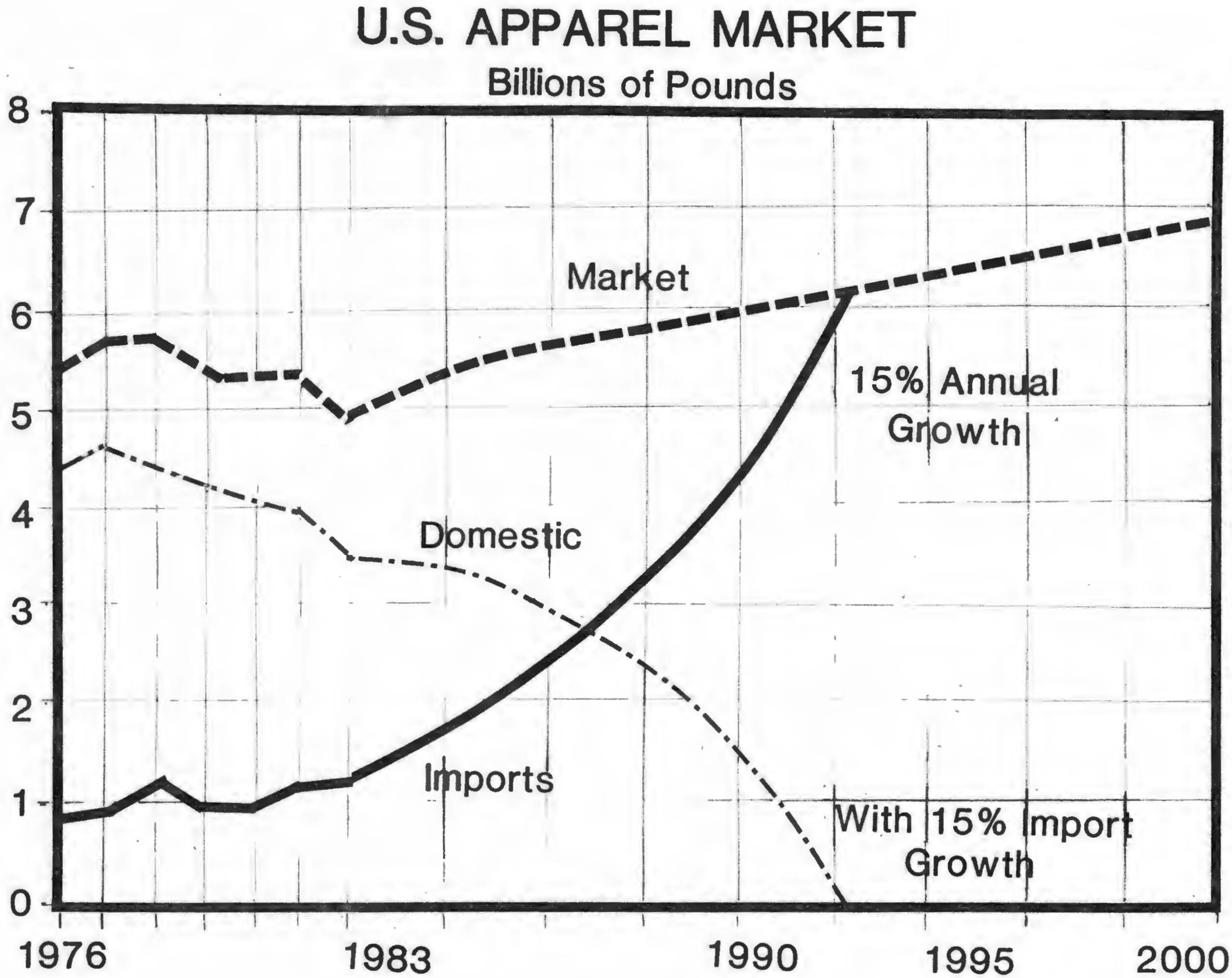
The main purpose for my writing is to let you know that there is really total dissatisfaction with the way this Administration is handling the textile situation. And, I fear that somehow we have failed to make you understand this.

Sincerely,

Roger

Roger Milliken

cc: The Honorable Strom Thurmond
The Honorable John H. Heinz
The Honorable Jesse A. Helms
The Honorable Mack Mattingly
The Honorable John W. Warner
The Honorable Alphonse M. D'Amato
The Honorable James T. Broyhill
The Honorable Carroll A. Campbell
The Honorable James G. Martin



U.S. APPAREL MARKET
Billions of Pounds
8
7
6
5
4
3
2
1
0
1976
1983
1990
1995
2000
Market
15% Annual Growth
Domestic
Imports
With 15% Import Growth

THE WHITE HOUSE

WASHINGTON

December 2, 1983

Dear Roger:

Thank you for your letter concerning the textile import situation.

I know you and Ed Meese have had a chance to talk about the situation, and that he has conveyed to you our concern for the import problem. Ed has also informed me that he will be discussing your suggestions with Ambassador Brock and Secretary Baldrige. Let me add my assurance to Ed's that the health of the American textile and apparel industries remains a high priority in the White House.

Sincerely,

Jim

James A. Baker, III
Chief of Staff and
Assistant to the President

Mr. Roger Milliken
Chairman of the Board
Milliken & Company
Post Office Box 3167
Spartanburg, South Carolina 29304

THE WHITE HOUSE
WASHINGTON

Dec 6, 1983

TO: JAB III

Have drafted the attached reply to Roger Milliken after checking with Ed Meese's office on the outcome of their meeting.

Also, please note attached letter from Carroll Campbell re this. I was going to handle by phone (not in writing) unless you have other thoughts.

Thanks.

JC

UNITED STATES DEPARTMENT OF COMMERCE
International Trade Administration
Washington, D.C. 20230

[illegible] —

[illegible]
[illegible]
[illegible]
[illegible] memo for [illegible]
mtg with Milliken.
Thanks
[illegible]

November 17, 1983

MEMORANDUM FOR CRAIG FULLER
Assistant to the President
for Cabinet Affairs
The White House

From: Walter C. Lenahan
Deputy Assistant Secretary
for Textiles and Apparel

Subject: Roger Milliken's Letter of November 3

Ken Cribb had earlier asked my advice on the response to Mr. Milliken's letter of November 3.

Following my meeting with Mr. Milliken on November 9, I prepared the attached response from Mr. Meese to Mr. Milliken. That proposed response and the memorandum of conversation between myself and Mr. Milliken have been sent directly to Ken Cribb.

Since I understand that Mr. Meese is meeting with Mr. Milliken at 2 p.m. on Friday, November 18, there may be no need for a formal response to Mr. Milliken.

Attachments

UNITED STATES DEPARTMENT OF COMMERCE
International Trade Administration
Washington, D.C. 20230

November 17, 1983

MEMORANDUM FOR KEN CRIBB
Assistant Counsellor to the President
The White House

From: Walter C. Lenahan
Deputy Assistant Secretary
for Textiles and Apparel

Subject: Roger Milliken

Per H. P. Goldfield's advice, I am forwarding directly to you a proposed response to Mr. Milliken's letter of November 3. Also attached is a memorandum of conversation which I prepared following my meeting with Mr. Milliken. Mr. Meese may want to review that memorandum of conversation before he meets with Mr. Milliken tomorrow.

Since Mr. Meese is meeting with Mr. Milliken, the proposed response to Milliken's letter may not be necessary.

Attachments

UNITED STATES DEPARTMENT OF COMMERCE
International Trade Administration
Washington, D.C. 20230

November 17, 1983

MEMORANDUM FOR EDWIN MEESE III
Counsellor to the President
The White House

From: Walter C. Lenahan
Deputy Assistant Secretary
for Textiles and Apparel

Subject: My Meeting with Roger Milliken

Per my agreement with Ken Cribb, I stopped by to see Roger Milliken for lunch on November 9 enroute to a speaking engagement in Florida. I had two full hours with Roger during which he outlined his principal areas of concern. To paraphrase Milliken, these are:

- Despite the President's commitment and despite rigorous implementation of the textile and apparel import program, imports continue to flood the domestic market at ever-increasing levels. While the domestic industry is doing well this year, these imports -- unless stopped now -- will badly erode the domestic manufacturing base in the near future.

- It is obvious that the current textile import program, based on multilateral and bilateral agreements, cannot restrain imports at the growth level of the domestic market. The industry had expected the White House Interagency Working Group to submit recommendations to the President aimed at limiting import growth to growth in the domestic market in line with the President's commitment. Instead, rumors are that the Working Group recommendations will not address the basic policy issue of limiting import growth, but instead will only address marginal changes in the current administration of the import program.

- This is completely unacceptable to the industry and, unless the Administration is prepared to take strong action to meet the President's commitment, industry will be forced to consider introducing legislation to provide absolute controls on imports. This may occur in the next few months and may become a heated campaign issue during the 1984 election.

- In the meantime, there is a growing perception within the textile and apparel community that the President and the Administration have abandoned the textile and apparel industry. Because of this, Republican candidates in 1984 may face greater difficulty getting reelected. There is little that pro-Administration industry leaders can do to turn this situation around unless and until the Administration takes a more pro-active position toward the industry.

Milliken also indicated that he personally believes that the White House inner circle is being too heavily insulated by staff on the textile and apparel issue and, consequently, does not realize the magnitude of the political fallout that will certainly occur if the Administration does not become more responsive to industry needs. He indicated that he would soon be visiting Washington and may seek a private meeting with you to discuss these issues.

I pointed out to Milliken what had been done for the industry in 1983:

- Establishment of 74 new quotas, more quotas than ever before established in any one year.

- Renegotiation of agreements with generally more restrictive import control provisions.

- Improved implementation of the import program to reduce circumvention and fraudulent trade.

I also explained to him the recommendations approved by the Cabinet Council on Commerce and Trade, asking him to keep the information confidential until the White House informed Senator Thurmond, et al. Milliken agreed to do so. He said, however, that my explanation of the recommendations only confirmed to him the rumors that the recommendations would only have a marginal impact on imports.

DRAFT

Mr. Roger Milliken
Chairman of the Board
Milliken & Company
Post Office Box 3167
Spartanburg, South Carolina 29304

Dear Roger,

Thank you for your letter of November 3. I appreciate receiving your candid views on the textile situation.

Wally Lenahan has reported to me on his conversation with you in Spartanburg on November 9. I hope Wally was able to fully explain that it was truly a bureaucratic slip-up that resulted in my letter of October 19 not having been mailed until October 26. Believe me, I have taken my staff to task on this matter.

Wally also has reported to me in considerable detail your concern about the surge of textile and apparel imports and your perception that the Administration appears unable to contain those imports in line with the President's commitment. As Wally mentioned, we have taken effective action, within the framework of our multilateral and bilateral commitments, to minimize disruption to the domestic textile and apparel industry. We will take additional action when appropriate.

Wally mentioned that you might soon be visiting Washington. I hope you will save me some time so that we can sit down privately to discuss your concerns about the future of your industry and other matters of mutual concern to us.

Sincerely,

Edwin Meese III
Counsellor to the President

THE WHITE HOUSE
WASHINGTON

November 9, 1983

TO: CRAIG FULLER

Attached is a strong letter to Jim Baker from Roger Milliken on the subject of textiles. It appears to be, at least in part, a reaction to an earlier letter from Ed Meese.

Could your office see that the appropriate agency people receive a copy of the attached? Also, JAB would appreciate it if your office could staff a response to the letter itself.

Thanks much.

Jim

Jim Cicconi

MILLIKEN
Roger Milliken
President

November 3, 1983

James A. Baker, III, Esq.
The White House
Washington, D. C. 20500

Dear Jim:

I was glad to get the letter from Ed Meese dated October 19th to me about the textile situation.

It was received in my office when I was attending a directors' meeting of the American Textile Manufacturers Institute where the primary subject of conversation was the incredibly adverse impact on the textile industry and its future caused by the continuing dramatic increase in imports.

As I wrote you earlier, we have all year forecasted that this was going to be a disaster year for imports in spite of the fact that officials in the Administration told us that the growth in imports that took place in the early part of the year would not be sustained through the whole year. As you now know, the September increase was particularly dramatic and raised the total for the year up almost one percentage point from 20 percent increase over 1982 to 20.75 percent year to date.

What really disturbs us is the fact that your letter that was written to me and signed Ed Meese on October 19th was not put into the mail in Washington until the 26th of the month. In that letter I was asked to get in touch with Wally Lenahan for input about the textile situation before the Cabinet committee met on what to do about textiles. I did not receive the letter until two days after the Cabinet committee met. What happened? Does this mean that the Administration places a very low priority on the problem that has caused 140,000 people not to have jobs this year that would otherwise have been available if the President had lived up to his written and oft-restated commitment to control the rate of growth of imports to the rate of the growth of our market?

On the measurement used, the projected increase for 1983 over 1982 will be 1.4 billion square yards equivalent, and this means that the United States will have lost the opportunity to employ 140,000 people, which would have been the number required to make that equivalent yardage. This job displacement is in addition to the some 600,000 American jobs already lost to textile/apparel imports.

This continuing climb in imports and the projection for the next few years signals the demise of a large section of this great industry with all the resulting unemployment. The Board of Directors of the American Textile Manufacturers Institute at a meeting which was attended by over 100 people was so distressed that they moved the attached resolution which properly represents their concern.

> "The textile and apparel import statistics announced today (October 28th) indicate that the U.S. textile and apparel industry faces an increase of 1.4 billion square yards this year. This level of imports is the equivalent of 140,000 American jobs.
>
> When the import surge began earlier this year, some in the Administration said the volume of imported textiles and apparel should begin to decline later in the year. We warned they would not because we could not see how they could decline under the present quota system.
>
> We regret that we were right, as shown by the record increases for the month of September and thus far in 1983.
>
> We wonder how many more months of record increases it will take before this Administration becomes convinced that the present quota system and other measures for moderating import growth simply are not working and must be changed."

We know the Administration is worried about its relationships with China, but people from our industry and the cotton-growing industry who have recently visited China come back full of reports about the smiles from the Chinese as to how they outwitted the Americans in trading out the textile quota. They threatened to reduce their purchases of cotton and grains but they point out they will always buy these products wherever they can get them cheapest, and it has nothing to do with the reciprocal nature of their exports to the United States.

As I also believe you know, we are deeply disturbed as an industry about the fact that the PRC is subsidizing its textile exports by giving 40 percent more local currency for the textile products which China exports to the United States and that, in addition, they have a capital subsidy.

This is a clear case for the imposition of countervailing duties! Yet, the Commerce Department is conducting a public hearing on the matter which constitutes a serious delaying action.

We would like to point out that this year the number of bales of cotton which will be imported into the United States in the form of cloth or garments amounts to 1,900,000 equivalent bales of cotton.

The most careful studies show that only 400,000 of these bales were exported by the U.S. as raw cotton to the countries shipping back cotton-containing products to the United States. This means that we are importing 1,500,000 bales of cotton which could have been grown in the United States and thus increased the domestic cotton market for the American farmer. (There is currently a raw cotton quota of 30,000 bales of upland cotton, yet we are now letting these 1,500,000 bales enter disguised as cloth or garments.)

Beyond this, we are now told by knowledgeable people in the government that in 1984 under the present textile program the growth of square yards equivalent coming into our market cannot be held below 15 percent. With imports now claiming 40 percent of our apparel market, and growing by almost 15 percent a year, we can see that the number of jobs in the textile/apparel industry will shrink by another 100,000 next year (creating that much unemployment or short time), and the country will be faced with a weekly announcement of closed textile mills and garment manufacturing operations. I am attaching a chart showing what is happening in imports and what will happen if we continue growth of imports at a 15 percent rate.

The textile/apparel industries will be fighting as hard as they know how to increase their quality and their productivity which is already very, very high, and some will survive for a few more years. But, I write to point out that the loss of another 100,000 jobs in 1984, is going to exact a very severe toll amongst those who are supporters of Ronald Reagan and Republican members of the Congress. It is very difficult for people to understand why the President of the United States is not able to live up to his widely-advertised commitment to control the growth of imports to the growth of the American market, and I am afraid that this is going to be an adverse impact in the elections 1 year from today.

I believe that the only solution to this problem is the adoption of a plan of total control of global imports of textile and apparel, and, in the interests of American employment, I urge you to make this happen. It will keep jobs in an industry that employs more women and minorities, as a percent of its total employment, than any other manufacturing industry in the United States--and an industry that not only has large employment in the Southeast but is also the largest manufacturing employer in New York City, Los Angeles, Miami, and has more employees in the State of Pennsylvania than are employed in the steel industry.

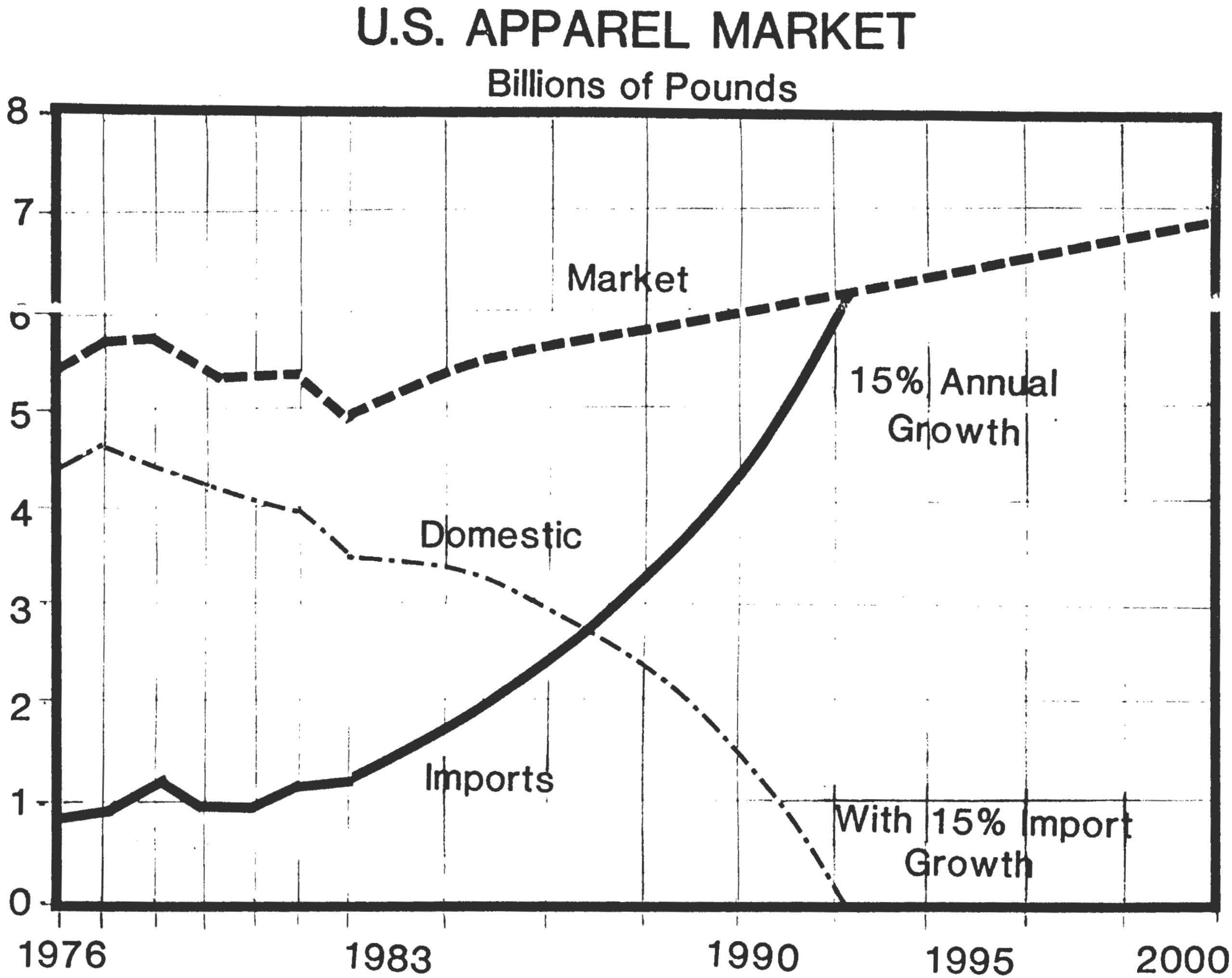
The main purpose for my writing is to let you know that there is really total dissatisfaction with the way this Administration is handling the textile situation. And, I fear that somehow we have failed to make you understand this.

Sincerely,

Roger

Roger Milliken

cc: The Honorable Strom Thurmond
The Honorable John H. Heinz
The Honorable Jesse A. Helms
The Honorable Mack Mattingly
The Honorable John W. Warner
The Honorable Alphonse M. D'Amato
The Honorable James T. Broyhill
The Honorable Carroll A. Campbell
The Honorable James G. Martin


U.S. APPAREL MARKET
Billions of Pounds
8
7
6
5
4
3
2
1
0
Market
15% Annual Growth
Domestic
Imports
With 15% Import Growth
1976
1983
1990
1995
2000

THE WHITE HOUSE

WASHINGTON

October 27, 1983

Dear Strom:

I appreciate your thoughts regarding Roger Milliken's recent letter on current concerns of the textile industry. I have attached a copy of Ed Meese's response for your information.

The President is being kept informed, not only of the textile industry's concerns, but also of progress toward fulfilling the ambitious goals he set in 1980. Needless to say, the subject will continue to have a high priority in the Administration, and with the President personally.

With best regards,

Sincerely,

Jim

James A. Baker, III
Chief of Staff and
Assistant to the President

The Honorable Strom Thurmond
United States Senate
Washington, D.C. 20510

bcc: Ken Duberstein - FYI

THE WHITE HOUSE

WASHINGTON

19 October 1983

Dear Roger:

Thank you for your letter of 27 September concerning the problem of high textile imports and their effect on our domestic industry. You have been helpful and generous with your counsel in the past, as well as now, and we appreciate it.

The 20 percent surge in imports through August is unsatisfactory performance in light of the ambitious policy goal set by the President. We are still working on many fronts to promote National economic recovery to everyone's benefit, including the domestic textile industry. As you are aware, the President established the White House Textile Working Group to review the status of the current industry situation and to recommend improvements in our program. The Cabinet Council on Commerce and Trade will soon complete its review of the Working Group's recommendation.

I have asked Wally Lenahan, Chairman of the Working Group, to talk with you before the Cabinet Council meeting and to report to both Craig Fuller and myself on your ideas and suggestions. The President is aware of the importance of the textile industry and of your personal contribution to the Administration. With your continued help, we will work to resolve the remaining issues affecting this important sector of our National economy.

With appreciation and best personal regards,

Sincerely,

Ed

EDWIN MEESE III
Counsellor to the President

Mr. Roger Milliken
President
Milliken & Company
234 South Fairview Avenue
Post Office Box 3167
Spartanburg, SC 29304

STROM THURMOND
SOUTH CAROLINA

The President Pro Tempore

UNITED STATES SENATE

October 3, 1983

The Honorable James A. Baker, III
Chief of Staff and Assistant to the President
The White House
Washington, D. C. 20500

Dear Jim:

Recently, I received a copy of a letter from Mr. Roger Milliken, Chief Executive Officer, of Milliken and Company, addressed to you and other key members of the President's staff.

In my estimation, Mr. Milliken's letter was an excellent summary of the frustration being experienced by those who have a direct interest in the textile industry. He also points out the very real political downside of failing to make substantial progress toward correcting the problems which confront that industry.

I would appreciate your most careful review of his comments, and would encourage you to show a copy of his letter to the President.

Thank you for your attention to this matter.

With kindest personal regards and best wishes,

Sincerely,

Strom

Strom Thurmond

ST/eq

THE WHITE HOUSE

WASHINGTON

19 October 1983

Dear Roger:

Thank you for your letter of 27 September concerning the problem of high textile imports and their effect on our domestic industry. You have been helpful and generous with your counsel in the past, as well as now, and we appreciate it.

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I have asked Wally Lenahan, Chairman of the Working Group, to talk with you before the Cabinet Council meeting and to report to both Craig Fuller and myself on your ideas and suggestions. The President is aware of the importance of the textile industry and of your personal contribution to the Administration. With your continued help, we will work to resolve the remaining issues affecting this important sector of our National economy.

With appreciation and best personal regards,

Sincerely,

Ed

EDWIN MEESE III
Counsellor to the President

Mr. Roger Milliken
President
Milliken & Company
234 South Fairview Avenue
Post Office Box 3167
Spartanburg, SC 29304

11 OCT 1982

THE WHITE HOUSE
WASHINGTON

10/11

Ken:

Jim Cicconi recommended coordinating a response on behalf of Messrs. Meese, Baker & Deaver through your office as this is a policy matter.

Would your office please handle this or provide guidance regarding an appropriate response? FYI, Senator Thurmond recently wrote Mr. Baker asking that EM, JAB and MKD please pay serious attention to Roger Milliken's remarks.

Please let me know what you think. Thanks.

Kathy C.

KATHERINE J. CAMALIER
Office of James A. Baker III
456-6797

f GC

[illegible]

R. J. NUNLEY
BOX 308
SABINAL, TEXAS 78881
(512) 988-2327

April 20, 1983

Mr. Jim Cicconi
1st Floor, West Wing
The White House
Washington, D. C.

Dear Mr. Cicconi:

At this time, I would like to take the opportunity to request an appointment time with Mr. James Baker, as per our telephone conversation. At that time, I would like to discuss alternatives, as far as the "Farm Program" is concerned, as well as the Federal and State of Texas Brucellosis regulation programs.

Any time that is convenient with Mr. Baker is fine. I'll drop whatever I happen to be doing to have the opportunity to visit with him on these matters.

Yours truly,

R J Nunley

R. J. Nunley

RJN:bjh

MDT:

FYI. I've taken care of him; told him "no" on meeting (might be misconstrued, etc). Pl. tell JAB he seems satisfied, even if not happy. Re brucellosis, told him WH would not get involved since it's a state matter. Referred him to USDA.

JC 4/27

To Jim

Date 4-8 Time 4:15

WHILE YOU WERE OUT

M Mayor Bill Ryan

of Haverhill, Mass.

Phone 617-373-3818

Area Code Number Extension

TELEPHONED		PLEASE CALL	
CALLED TO SEE YOU		WILL CALL AGAIN	
WANTS TO SEE YOU		URGENT	

RETURNED YOUR CALL

Message

see note = someone

ID's themselves as me,

promised hotel, reimb from

a "secret fund", etc = Ryan said

his letter was to test truth of

call = asked him to call me

if he hears of same "game"

being played on other

officials. JC 4/8

Operator

AMPAD EFFICIENCY® 23-020

617-373-3818

CITY OF HAVERHILL
MASSACHUSETTS

WILLIAM H. RYAN
MAYOR

OFFICE OF THE MAYOR

April 6, 1983

Talked w/ Ryan: This was a prank someone pulled on him = (he was invited to meeting "to discuss NH primary").

Mr. James Cicconi
Special Assistant
White House
Washington, D. C. 20500

Jim

Dear Mr. Cicconi:

Just a note of thanks for your invitation to join with you at The White House on April 19.

I look forward to a long and successful working relationship with you as well as other members of the President's staff.

Thanks again, and I'll see you on the 19th at 11:00 a.m.

Yours truly,

Bill Ryan

William H. Ryan
Mayor

WHR:avc

11/15/83

Jim,

as a follow-up to our discussion attached is the information I promised.

Nelson

I can be reached at:

office 377-5770 or 377-3007

Home 703-455-0390

f G.C. (Rodriguez)

UNITED STATES DEPARTMENT OF COMMERCE
Minority Business Development Agency
Washington, D.C. 20230

November 10, 1983

Mr. Nelson Rodriguez
9500 Old Keene Mill Road
Burke, Virginia 22015

Dear Mr. Rodriguez:

Your service as Assistant Director for Resource Development, Minority Business Development Agency, will be terminated effective at the close of business, January 13, 1984.

I have taken this action because I lack confidence in your ability to carry out the programs and policies of the current leadership of this Agency. You should not construe this action as in any way a reflection of your performance as Assistant Director for Resource Development or on you personally.

This letter supersedes my letter to you dated October 28, 1983.

Sincerely,

Victor M. Rivera
Director

Rodriguez, Nelson

STATUS ON FEDERAL MINORITY BUSINESS PERFORMANCE

	Fiscal Year	Total Dollars
FEDERAL PROCUREMENTS (CONTRACTS) TO MINORITY BUSINESS		
President's Promise ($15 Billion FY 83,84,&85)	1983	$ 4.8 Billion
Performance to date (Actual 2.8 Billion 3rd Quarter)	1983 (est.)	$ 4.3 Billion
Procurement Gap	1983	- $ 500 Million
CREDIT ASSISTANCE (SURETY BONDS, LOANS & LOAN GUARANTEES)		
President's Promise ($1.5 Billion dollars FY 83,84,85)	1983	$ .5 Billion
Performance to date ($ .35 Billion mid-year)	1983 (est.)	.8 Billion*
Credit Assistance Gap		+ $ 300 Million
MANAGEMENT AND TECHNICAL ASSISTANCE		
President's Promise (300 Million FY 83,84,&85)	1983	figures not avail.
GRANTS AND COOPERATIVE AGREEMENTS		
President's Promise ($6 to $7 Billion FY 83,84,&85)	1983	$ 2.2 Billion
Performance to Date (231 Million mid-year)	1983 (est.)	$ 450 Million*
Grants and Cooperative Agreement Gap	1983	- $ 1.75 Billion
SUBCONTRACTS TO MINORITY BUSINESS		
President's Promise ("encourage greater Minority business sub contracting by Federal Prime Contractros")		
Performance to Date	1982	$ 859 Million
(752 Million 3rd quarter)	1983 (est.)	$ 850 Million*
Sub Contract Gap	1983	- $ 9 Million
MINORITY BANK DEPOSITS		
No Promise		
Performance to Date	1982	$ 451 Million
	1983 (est.)	$ 392 Million*
Minority Bank Deposit Gap		- $ 59 Million

SOURCES: Minority Business Performance Report 1982, Federal Procuremanet Activities for Minority Enterprise Mid-Year FY 1983 Report, Federal Procrement Activities for Minority Enterprise thru Third Quarter FY 1983 Report.

* Estimates based on percent of increase or decrease over same period in FY 1982 projected over balance of FY 1983.

THE WHITE HOUSE

Office of the Press Secretary

STATEMENT BY THE PRESIDENT

This Administration is committed to the goal of greater opportunity for economic progress and independence for all Americans. We began movement toward this goal last year with enactment of major elements of our Economic Recovery Program. By reducing inflation and stimulating economic growth, this program will promote the kind of economic environment essential to the formation and development of business enterprise. In addition, our economic program will result in increased private savings through incentives provided by tax rate reductions and will slow the growth of government spending. Both actions will expand the pool of financial resources from which business can obtain capital for development.

But these steps are only a beginning. We must maintain the momentum by keeping the tax rate cuts in place and by retaining the tax indexing scheduled to begin in 1985. This indexing will prevent inflation from forcing individuals, including investors, workers and small business owners, into higher and higher tax brackets.

Our Administration, however, has not stopped there. Today, I am announcing additional steps to promote an economic environment in which minority entrepreneurs can better marshal their talents and skills to achieve better lives for themselves and, in so doing, contribute to a stronger economic base for America.

- A healthy, growing economy is fundamental to creating the opportunity for the formation and growth of minority-owned business.
- Greater economic independence for minority Americans will best be achieved through increased opportunities for private employment and business ownership.
- Creativity, private entrepreneurship, and individual initiative will ultimately determine the success or failure of individual minority businesses.
- Expanded involvement of other private firms is crucial to minority enterprise developmental efforts.

The specific steps, which reflect these principles, along with key elements of our economic recovery program, will provide the basis for a renewed and vigorous minority business effort for the 1980s.

The Minority Business Development Agency of the Department of Commerce and the Small Business Administration will assist directly in the formation of at least 60,000 new minority businesses over the next ten years.

During the same period, this Administration will assist in the expansion of at least 60,000 minority businesses or 10 percent of the approximately 600,000 new minority businesses that already operate in America today. We will place particular emphasis on labor intensive businesses and those in industries with high growth potential.

The Federal government will procure an estimated $15 billion in goods and services from minority businesses during the three-year period comprising Fiscal Years 1983, 1984, and 1985, based upon our current overall procurement plans. Actual procurement objectives will be set on an annual basis and will be based upon this Administration's objective on increasing the share of total procurement supplied by minority businesses. This does not include minority business procurement by recipients of Federal grants and cooperative agreements, which could amount to an additional $6 to $7 billion during this three-year period.

We will make available approximately $1.5 billion in credit assistance and $300 million in management and technical assistance to promote minority business development during this same three-year period.

To expand minority enterprise participation in Federal government subcontracts, I am directing department and agency heads to develop and implement incentive techniques that will encourage greater minority business subcontracting by Federal prime contractors.

To continue full minority business participation in procurement resulting from government grants and cooperative agreements, I am directing the major Federal grant-making agencies to encourage their grantees to achieve a reasonable minority business participation in contracts let from their grants and agreements. This will be done in a manner consistent with the Administration's commitment to the principles of federalism.

In order to spur private sector involvement in minority business development, I will ask the business leaders of this country to work with me to encourage private firms to expand their business transactions with minority enterprises.

I am asking the Vice President's Task Force on Regulatory Reform to explore opportunities for reducing regulatory and other barriers to small and minority business expansion, and for promoting meaningful entry into the international trade arena.

In order to ensure the success of these Federal initiatives, I will be issuing a new Executive Order on Minority Business Development which reaffirms the Federal commitment. It will prescribe specific policies and actions to be taken in these programs and direct the Interagency Council for Minority Business to establish uniform guidelines for all Federal minority business efforts. It will also direct the Cabinet Council on Commerce and Trade to submit an annual plan specifying minority-enterprise-development objectives for each agency.

The Minority Business Development Agency has established a national network of Minority Business Development Centers which, in concert with existing SBA Small Business Development Centers, will provide management and technical assistance to minority firms and promote increased participation of private firms and other public sector resources.

I am directing Federal contracting agencies to increase minority business procurement objectives for 1983 by at least 10 percent over actual procurement in 1982. In addition, we are taking measures designed to expand the number of minority firms participating in Federal procurement programs.

And beginning next year, I will designate annually the first full week in October as Minority Enterprise Development Week.

Together, our policies and programs for minority business development should set the stage for the expanded development of minority business. But most important are the steps to be taken by minority entrepreneurs themselves and other private concerns. Recognizing that the realization of the American Dream is ultimately achieved in the private marketplace, we can, through a greater commitment to public and private cooperation, help minority Americans to achieve fuller participation in the market economy.

Ronald Reagan

December 17, 1982

EXECUTIVE ORDER
12432

MINORITY BUSINESS ENTERPRISE DEVELOPMENT

By virtue of the authority vested in me as President by the Constitution and laws of the United States of America, including Section 205(a) of the Federal Property and Administrative Services Act of 1949 (40 U.S.C. 486(a)), in order to provide guidance and oversight for programs for the development of minority business enterprise pursuant to my statement of December 17, 1982 concerning Minority Business Development; and to implement the commitment of the Federal government to the goal of encouraging greater economic opportunity for minority entrepreneurs, it is hereby ordered as follows:

Section 1. *Minority Business Development Plans.* (a) Minority business enterprise development plans shall be developed by each Federal agency having substantial procurement or grantmaking authority. Such agencies shall submit these plans to the Cabinet Council on Commerce and Trade on an annual basis.

(b) These annual plans shall establish minority enterprise development objectives for the participating agencies and methods for encouraging both prime contractors and grantees to utilize minority business enterprises. The plans shall, to the extent possible, build upon the programs administered by the Minority Business Development Agency and the Small Business Administration, including the goals established pursuant to Public Law 95-507.

(c) The Secretary of Commerce and the Administrator of the Small Business Administration, in consultation with the Cabinet Council on Commerce and Trade, shall establish uniform guidelines for all Federal agencies to be utilized in establishing the minority business programs set forth in Section 2 of this Order.

(d) The participating agencies shall furnish an annual report regarding the implementation of their programs in such form as the Cabinet Council on Commerce and Trade may request, and at such time as the Secretary of Commerce shall designate.

(e) The Secretary of Commerce shall provide an annual report to the President, through the Cabinet Council on Commerce and Trade, on activities under this Order and agency implementation of minority business development programs.

Sec. 2. *Minority Business Development Responsibilities of Federal Agencies.* (a) To the extent permitted by law and consistent with its primary mission, each Federal agency which is required to develop a minority business development plan under Section 1 of this Order shall, to accomplish the objectives set forth in its plan, establish programs concerning provision of direct assistance, procurement assistance, and management and technical assistance to minority business enterprises.

(b) Each Federal agency shall, to the extent permitted by law and consistent with its primary mission, establish minority business development programs, consistent with Section 211 of Public Law 95-507, to develop and implement incentive techniques to encourage greater minority business subcontracting by Federal prime contractors.

(c) Each Federal agency shall encourage recipients of Federal grants and cooperative agreements to achieve a reasonable minority business participation in contracts let as a result of its grants and agreements. In cases where State and local governments are the recipients, such encouragement shall be consistent with principles of federalism.

(d) Each Federal agency shall provide the Cabinet Council on Commerce and Trade such information as it shall request from time to time concerning the agency's progress in implementing these programs.

Ronald Reagan

THE WHITE HOUSE,
July 14, 1983.

Schenker, Carl
(see also Coleman, Bill)

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March
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OUR FILE NUMBER
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WRITER'S DIRECT TELEPHONE
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Mr. James W. Cicconi
Special Assistant to the President
and Special Assistant to the Chief of Staff
The White House
Washington, D.C. 20500

Re <u>Enclosed Materials</u>

Dear Mr. Cicconi:

Bill Coleman asked that I forward to you the enclosed materials concerning the status of Kuwait under the Mineral Lands Leasing Act of 1920. Our client, Santa Fe International Corporation, is interested in this matter because it is owned by Kuwait Petroleum Corporation. Should you have any questions about these materials, please feel free to contact Bill Coleman or me.

We appreciate your attention to this matter.

Sincerely,

Carl R. Schenker, Jr.

Carl R. Schenker, Jr.
of O'MELVENY & MYERS

CRS:lto

Enclosure

Foreign Agent Registration Act
No. 3346

BACKGROUND INFORMATION RELATING TO STATUS OF KUWAIT AND SANTA FE INTERNATIONAL CORPORATION UNDER THE MINERAL LANDS LEASING ACT OF 1920

Prepared by O'Melveny & Myers, Counsel for Santa Fe International Corporation. O'Melveny & Myers is registered as a foreign agent of Santa Fe International Corporation under the Foreign Agents Registration Act (Registration No. 3346).

February 18, 1983

SANTA FE INTERNATIONAL CORPORATION

Santa Fe International Corporation ("Santa Fe") was founded in 1946. It employs approximately 8,000 U.S. citizens in its various divisions and subsidiaries. Santa Fe is engaged primarily in contract drilling of oil and gas wells for the account of others, engineering and construction, and oil and gas exploration, development, and production for its own account.

Santa Fe's contract drilling operations include onshore and offshore work in the United States and abroad. Its contract drilling customers are major international oil companies, various government-controlled companies, and independent oil companies and individuals. Through CF Braun & Co and Santa Fe Engineering and Construction Co., Santa Fe performs planning, engineering, project management, and construction services for private and government-controlled or related entities, primarily in the international oil industry, both in the United States and abroad. Santa Fe often participates in construction projects through joint ventures with other construction organizations.

Finally, Santa Fe is engaged in oil and gas exploration, development, and production for its own account in the United States and abroad. Domestically, Santa Fe will concentrate its 1983 exploration activities in Colorado, Louisiana, Montana, New Mexico, Oklahoma, Texas, Utah, Wyoming, and the Gulf of Mexico. Santa Fe's capital expenditures for oil and gas exploration and production in the United States were approximately $181 million in 1982, and Santa Fe participated in approximately 220 wells drilled in the United States in 1982, including 198 onshore and 22 offshore. The Company's net interest in such wells averaged about 37 percent. The domestic drilling program resulted in 85 oil and gas wells, 57 dry holes, and 142 wells being tested or completed as possibly productive or still being drilled at year end.

Santa Fe is headquartered in Alhambra, California, and its oil and gas activities are run from Dallas, Tulsa, and Denver. In December 1981, Santa Fe was acquired by Kuwait Petroleum Corporation (KPC). To make that acquisition, KPC invested $2.5 billion in cash in the U.S. economy. Subsequently, KPC has infused another $400 million in capital into Santa Fe, which allowed the company to acquire and save from bankruptcy Andover Oil Company, which had unsuccessfully sought a purchaser for some time. Though owned by KPC, Santa Fe continues to be managed by its pre-acquisition Board of Directors and officers.

STATUS OF KUWAIT UNDER
THE MINERAL LANDS LEASING ACT OF 1920

1. The Department of the Interior (DOI) is currently considering whether citizens of Kuwait are qualified to own stock in U.S. corporations owning oil and gas leases under the Mineral Lands Leasing Act of 1920 (MLLA). DOI issued a signed, formal decision favorable to Kuwait on December 29, 1982 (see Exhibit A attached), but DOI "suspended" the decision three weeks later pending further review. Disqualification of Kuwait would be contrary to the MLLA and to past departmental precedents; it also would have severely adverse diplomatic and economic ramifications.

2. Under the MLLA, a country is qualified unless the laws, customs, and regulations of that country discriminatorily "deny similar or like privileges to citizens or corporations of this country." 30 U.S.C. § 181. Over 40 countries have affirmatively been found to be qualified, including three in 1982. (See Exhibit B attached.) These countries include (1) countries which have few, if any, energy resources -- including France and Japan, and (2) countries which have state ownership of some or all of their hydrocarbon industries -- including Great Britain, Mexico, Venezuela, and Brazil. No country has been found disqualified.

3. Kuwait first applied to be found qualified nearly three years ago, in the summer of 1980. In late 1981, the government-owned Kuwait Petroleum Corporation (KPC) acquired Santa Fe International Corporation (Santa Fe). Kuwait and Santa Fe have made numerous submissions to DOI on this question, and to the Departments of State and of the Treasury. At every stage there were unexplained delays while determinations regarding Canada and other countries were advanced and ultimately issued. However, on December 29, 1982 a final decision was at last issued by DOI affirming Kuwait's qualification. An Administration official was quoted in the Wall Street Journal as saying that "it wasn't a really difficult legal call." (See Exhibit C attached.)

4. Nonetheless, within three weeks, on January 21, 1983, DOI purported to suspend the effectiveness of its decision without any explanation other than that additional information "may exist" which requires reconsideration. (See

Exhibit D attached.) Santa Fe has made two written requests to DOI that such information be specified, but has not yet received a response. In recent congressional testimony (on February 2 before the Senate Energy and Natural Resources Committee), Secretary Watt suggested that he is reevaluating the DOI precedents on state ownership under which Great Britain, Mexico, Venezuela, and Brazil have been found qualified.

5. Disqualification of Kuwait would be legally unsupportable. The MLLA does not require that U.S. interests must be able to invest in an oil-exporting country's hydrocarbon industry in order for that country to be qualified. The MLLA was intended only to prevent the discriminatory exclusion of U.S. interests in favor of other oil-importing interests, because in 1920 Britain dominated world oil production. Congress intended that oil-exporting countries would remain free to organize their economies as they saw fit so long as they did not discriminate against U.S. interests. In Kuwait, like other state-ownership countries, all private interests, Kuwaiti, American, or otherwise, are foreclosed from production rights, but Kuwait makes oil production available to U.S. purchase, consistent with the MLLA's goals. Furthermore, DOI's position on these matters has been fully considered in connection with the above state-ownership countries and was reconfirmed in DOI's recent decisions on Canada and on Kuwait. Under administrative law principles, this precedent would be binding even if the legislative history were less clear.

6. Disqualification of Kuwait also would be bad diplomatic policy and bad economic policy. No other country has been disqualified, and other countries with similar laws have been found qualified. Kuwait has faced extraordinary delays, and DOI is now, without explanation, reconsidering a favorable decision. Moreover, any ground of disqualification applied to Kuwait must also be applied to any other country having similar laws. If state ownership were viewed as disqualifying, the decision would affect, among other countries, New Zealand, Nigeria, and Saudi Arabia, whose status has not previously been determined, in addition to the state-ownership countries identified above. As to economic policy, in other contexts the U.S. has encouraged the free flow of investment capital. Kuwait has already invested $2.9 billion in Santa Fe; KPC's resources have helped preserve 8000 American jobs at Santa Fe in the current economic environment. KPC now stands ready to help develop oil and gas resources on federal lands, with the prospect of creating jobs and enhancing U.S. energy security. Already, however, Santa Fe has had to turn down dozens of opportunities to invest in MLLA projects with

domestically owned companies seeking sources of capital. The result is that fewer oil and gas wells are being drilled in the U.S., with an adverse effect on employment and on future energy security. Previously, Secretary Watt had testified in Congress concerning the adverse diplomatic and economic impacts of restricting MLLA investment. The State Department, Treasury Department, and SIG/IEP have concurred in a favorable decision for Kuwait.

7. Kuwaiti MLLA investment could not be turned to the detriment of the U.S. Under existing laws and regulations, Santa Fe would have legal obligations to develop leases diligently, production could not be exported without a specific license, and production could not be shut in for political reasons. In any event, Santa Fe is usually a minority investing partner in projects, with the actual operating decisions made by others. Moreover, Santa Fe is a U.S. corporation, subject to U.S. laws, and its former board is still in place. (See Exhibit E attached.) Finally, KPC views Santa Fe as a stable long-term investment offering mutual benefits for both countries. For these and other reasons, the Committee on Foreign Investment in the United States (CFIUS), in proceedings in which DOI participated, raised no objection to KPC's acquisition of Santa Fe.

8. In light of the foregoing, Secretary Watt should reaffirm longstanding precedent and policy and confirm the qualified status of Kuwait.

United States Department of the Interior

OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20240

DEC 29 1982

DECISION ON THE STATUS OF KUWAIT UNDER THE MINERAL LEASING ACT OF 1920 (30 U.S.C. § 181 *et seq.*)

On July 8, 1982, the Department of the Interior requested public comment on the laws, customs and regulations of Kuwait to assist the Department in making a determination on the status of that country under section 1 of the Mineral Leasing Act of 1920, 30 U.S.C. § 181. 47 Fed. Reg. 29720. The comment period was extended by notice published on August 16, 1982. 47 Fed. Reg. 35559. This inquiry will determine the eligibility of citizens of Kuwait to own interests, through stock ownership, stock holding or stock control, in leases and permits issued pursuant to the Mineral Leasing Act of 1920, 30 U.S.C. § 181 *et seq.* ("the Act"), and the Mineral Leasing Act for Acquired Lands, 30 U.S.C. § 351 *et seq.* The minerals in question are deposits of oil, gas, coal, sulphur, phosphate, potassium, sodium, oil shale and gilsonite owned by the United States and subject to disposition under the Act as well as oil or gas transportation pipeline rights of way issued under the Act.

I. Section 1 of the Act

Section 1 of the Act authorizes leasing of lands and disposition of identified minerals to citizens of the United States, associations of such citizens, domestic United States corporations and, in certain circumstances, municipalities and other governmental entities. Citizens of foreign countries may invest in leases and permits issued pursuant to the Act only through the stock of domestic United States corporations. Section 1 limits this right of investment in the following manner:

> Citizens of another country, the laws, customs or regulations of which deny similar or like privileges to citizens or corporations of this country, shall not by stock ownership, stock holding, or stock control, own any interest in any lease acquired under the provisions of this Act.

II. Public Comments

In response to the request for public comments, the Department received 391 comments. The vast majority of the commenters did not provide information concerning the laws, customs or regulations of Kuwait. Rather, most were quite brief and expressed general opposition to oil and gas development in certain parts of the country or to any investment in the domestic oil and gas industry by citizens of Kuwait and other "OPEC" nations, or to both. In short, these comments were conclusory and did not provide factual information that would be helpful in analyzing the laws, customs, and regulations of Kuwait. Several commenters argued that since Kuwait has nationalized its oil industry, it obviously denies similar or like privileges to citizens of this country. There commenters were either unaware of or opposed to this Department's long-standing interpretation and application of section 1 of the Act that nationalization does not by itself render a nation non-reciprocal. These comments also were not helpful in providing information to analyze the status of Kuwait. One commenter provided a detailed analysis of section 1 and Kuwait law. This commenter argued that the legislative history and prior administrative interpretations of section 1 of the Act support the proposition that foreign citizens should not be disqualified unless the foreign country in question imposes unreasonable or discriminatory restrictions on opportunities by United States citizens to invest in the mineral resources of the foreign country. It further argued that in 1919 Congress contemplated leaving oil producing countries free to develop their own oil exploitation policies provided they did not discriminate against the United States. The commenter concluded that citizens of Kuwait should not be disqualified under section 1 of the Act. No comments were received from other government agencies.

In addition to the comments, the Department considered the significant volume of information in Departmental files, including information on Kuwait law provided by the Government of Kuwait through the Department of State.

III. Standard of Review

In his memorandum to the Secretary of February 2, 1982, the Associate Solicitor, Energy and Resources, identified three standards under which the laws, customs and regulations of a foreign country are to be analyzed in determining whether laws, customs and regulations of a foreign country deny similar or like privileges to citizens of the United States. These standards resulted from a review of the statutory language, legislative history and Departmental administration of section 1 of the Act beginning in 1920.

Under the first standard identified by the Associate Solicitor, the Department must find that the foreign country allows stock participation by United States citizens in corporations which, in turn, are not precluded or unreasonably restricted from participating in the foreign country's mineral resources on its public lands because of the United States citizen's stock ownership. If the foreign country prohibits stock ownership, the Department applies the second standard to determine whether the foreign country allows other opportunities for investment or participation in the mineral resources on its public lands. In the event the foreign country restricts investment or participation in its mineral resources to state-owned entities, the Department must, under the third standard, determine whether discrimination exists against citizens or corporations of the United States.

IV. The Laws, Customs and Regulations of Kuwait

The laws, customs and regulations discussed below are those applicable to exploration and development of mineral resources in Kuwait and to stock ownership, stock holding and stock control in that country by citizens and corporations of the United States.

Laws

The 1962 Constitution of the State of Kuwait.

Article 21 of the Constitution decrees that all natural resources and derivative revenues are the property of the State. Article 152 authorizes the granting of concessions for exploitation of natural resources only "by a law and for a limited period." There is no restriction in the Constitution on the ability of aliens to hold or to invest in such concessions.

Law No. 19 of 1973 concerning the Conservation of Petroleum Resources.

This law authorizes the Government of Kuwait to issue regulations governing all aspects of petroleum exploration and development.

Decree Law No. 6 of 1980 establishing the Kuwait Petroleum Corporation.

This law established the Kuwait Petroleum Corporation (KPC), which is wholly owned by the Government of Kuwait. KPC, through a subsidiary, owns the sole outstanding concession for the exploration and development of hydrocarbon substances found in Kuwait, except for one concession in the offshore area jointly administered by Kuwait and Saudi Arabia. KPC is chartered to engage in all phases of the hydrocarbon industry, including exploration, development and transportation (Article 3). KPC is authorized in carrying out these purposes to participate with other companies and to establish companies in partnership with others (Article 5). Decree Law No. 6 assigned the Government-owned shares of various companies involved in hydrocarbon activities in Kuwait to KPC (Article 8).

Law No. 15 of 1960 (of Commercial Companies)

This law allows foreign participation in commercial activities within the country of Kuwait through partnerships and joint stock companies, provided that 51% of the capital holdings is owned by Kuwaiti citizens. This law also authorizes the formation of joint ventures with no limitation on citizenship. This law is the only expression of Kuwait policy with regard to foreign investment brought to the attention of the Department. The Department understands that outside the scope of Law No. 15, a foreign corporation may directly engage in commercial activities in Kuwait, although in some circumstances the foreign corporation must employ a Kuwaiti agent.

Customs and Regulations

The prevailing custom in Kuwait has been to consolidate all oil and gas activity under the ownership of the Government and, since 1980, in the Kuwait Petroleum Corporation (KPC). This consolidation included the acquisition by the Government of concession rights previously granted to foreign companies and their subsequent assignment to KPC. One foreign-owned company continues to operate offshore in the area under the joint administration of Kuwait and Saudi Arabia. KPC has not exercised its authority to engage in joint operations with foreign companies nor has the Government of Kuwait issued any new concessions to foreign companies. Similarly, no companies with Kuwaiti stockholders are currently involved in oil and gas activities with KPC or through new concessions. However, there is no evidence that any custom or regulation discriminates against investment by United States citizens.

V. Analysis

From our understanding of the laws, customs and regulations of Kuwait, a concession to explore for and develop mineral resources may be issued by the Government of Kuwait. These concessions would be issued to an entity organized under Law No. 15 or to foreign entities. In some instances, foreign entities are required to conduct business in Kuwait through

Kuwaiti agents. Other than in the offshore joint administration area, the only entity currently authorized to conduct oil and gas activities is the Kuwait Petroleum Corporation (KPC), which is a state-owned company. KPC is authorized by law to join with others to conduct these activities, presumably with or through an entity organized under Law No. 15 or with a foreign entity authorized to do business directly in Kuwait. At present, KPC has not engaged in any joint participation projects.

Under Law No. 15, United States citizens may own up to 49% of the stock in a Kuwaiti corporation. Kuwaiti law contains no limitation or restriction on the activities of a corporation which has stockholders who are citizens of the United States. Such corporations may, if the opportunity is presented, participate independently or with the Kuwait Petroleum Corporation (KPC) in any phase of the hydrocarbon industry. Similarly, United States citizens may engage in joint ventures independently or with KPC, if the opportunity is presented. The 49% limitation is not an unduly harsh or restrictive limitation on stock or partnership capital ownership. While this requirement may alter the opportunity for economic return to the United States stockholder, and thus be a factor in the investment decision, it does not render the stock participation illusory or meaningless. This limitation is similar to the Canadian law which the Secretary found does not deny similar or like privileges under section 1 of the Act in his decision of February 2, 1982, concerning the reciprocity status of Canada.

Finally, no discrimination exists under the law of Kuwait against citizens of the United States. KPC is wholly-owned by the Government of Kuwait. No Kuwaiti citizens may invest in KPC because the law of Kuwait does not allow such investment. Moreover, we have no evidence that KPC has engaged in any joint participation activities with companies owned by Kuwaiti citizens to the exclusion of companies owned in whole or in part by citizens of the United States. Thus, the laws, customs and regulations of Kuwait are applicable to all private investment in mineral resources, whether that investment is by citizens of Kuwait, by citizens of the United States, or by citizens of any other country.

The Department received no comments or information concerning the laws, customs or regulations of Kuwait with regard to minerals other than oil and gas which differ from those applicable to oil and gas.

The restriction on foreign ownership of interests in federal onshore mineral leases and permits had two purposes. First, it was designed to avoid foreign retaliation against, and to discourage foreign discrimination against, investments in minerals by citizens and corporations of the United States. H.R. Rep. No. 398, 66th Cong., 1st Sess., p. 11 (1919). Second, it was intended to prevent adverse impacts from uncontrolled and unchecked exportation of domestic mineral resources. Id. The Act itself was intended to "promote the mining of coal, phosphate, oil, oil shale, gas, and sodium on the public domain." 41 Stat. 437. In section 32 of the Act, 30 U.S.C. § 189, Congress empowered the Secretary "to prescribe necessary and proper rules and regulations and to do any and all things necessary to carry out and accomplish the purposes of this Act."

From the earliest time, the Department has focused on the issue of the effect of investment by United States citizens in foreign corporations on the ability of that corporation to participate in the mineral resources of the foreign country. E.g., letter from Secretary of the Interior to Secretary of State dated October 19, 1920. This emphasis on discrimination, which originally arose in the Congressional debate on section 1 (discussion among Congressmen Snell, Sinnott and Evans, 58 Cong. Rec. 7528-7529 (1919)), was ratified in a letter from the Deputy Solicitor to the Legal Advisor for Economic and Business Affairs, Department of State, dated August 23, 1974. In this letter, the Deputy Solicitor emphasized that the citizenship of an individual or corporation was irrelevant to investment in the coal resources of Great Britain. After finding that the British government had nationalized the British coal industry and that no private participation, British or foreign, was allowed, the Deputy Solicitor concluded that this did not constitute the discrimination required to disqualify investment by British citizens under section 1 of the Act. The laws, customs, and regulations of Kuwait simply do not prohibit private (and foreign, on an equal basis) investment and participation in mineral resources development, unlike the assumption made in the 1974 letter regarding the law of Great Britain.

VII. Decision

The above analysis demonstrates that the laws, customs and regulations of Kuwait do not discriminate against citizens of the United States. No evidence exists that a company has been denied participation in mineral resources of Kuwait since the adoption of Decree Law No. 6 because citizens of the United States held an interest.

Based on the facts described above, the laws, customs and regulations of Kuwait do not deny similar or like privileges to citizens or corporations of the United States within the meaning of section 1 of the Mineral Leasing Act of 1920, 30 U.S.C. § 181. Therefore citizens and corporations of Kuwait may, through stock ownership, stock holding or stock control in corporations of the United States, own interests in federal mineral leases and permits subject to section 1 of the Act.

Date: 12/22/82

Assistant Secretary--Land and Water Resources

I Concur:

William H. Coldiron

SOLICITOR

12/29/82

Exhibit B

Countries Previously Determined
To Be Qualified Under The MLLA*

Anguilla	Jamaica
Argentina	Japan
Australia	Lebanon
Austria	Liberia
Bahamas	Liechtenstein
Belgium	Luxembourg
Bermuda	Malaysia
Brazil	Mexico
British Virgin Islands	Netherlands
Canada**	Netherlands Antilles
Cayman Islands	New Zealand
Cyprus***	Norway
Denmark	Panama
Federal Republic of Germany	Philippines (40%)
France	Singapore
Great Britain	South Africa
Greece	Spain
Hong Kong	Sweden****
Ireland	Switzerland
Israel	Taiwan
Italy	Trinidad & Tobago
	Venezuela

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* Basic Source: Bureau of Land Management, U.S. Department of the Interior, List of "Reciprocal Countries" as of June 18, 1981.

** *See* "Secretarial Decision Paper: Reciprocity Status of Canada" (Feb. 2, 1982).

*** *See* "Decision on the Status of Sweden and Cyprus Under the Mineral Lands Leasing Act of 1920 (30 U.S.C. § 181 *et seq*.)" (Sept. 17, 1982).

**** *See id*.

THE WALL STREET JOURNAL
December 30, 1982

U.S. Set to Lease Federal Lands to Kuwait To Spur Foreign Investment in Resources

By ANDY PASZTOR
Staff Reporter of THE WALL STREET JOURNAL

In a far-reaching move expected to spur foreign investment in U.S. natural resources, the Reagan administration is planning to let Kuwait lease federal lands for energy and mineral development.

The decision, expected to be announced by Interior Secretary James Watt within a few weeks, removes a major source of friction between American and Kuwaiti corporate and government officials interested in expanding business operations in the U.S. It also establishes an important legal and diplomatic precedent that administration policy makers assert will prompt other countries, especially those in the Middle East, to step up investment in developing coal, oil and other resources located on federal lands.

But the move is likely to anger some members of Congress and other administration critics who contend it opens the door to excessive foreign control of essential U.S. resources. Allowing Kuwait and other cash-rich Arab countries to lease federal lands is dangerous, these critics contend, because the oil and mineral wealth could be developed to promote their foreign-policy and economic goals rather than those of the U.S.

It isn't clear how much additional foreign investment the decision will generate in the short run. But some administration officials estimate it could amount to billions of dollars in the next few years if Kuwait and other countries follow through with their current plans.

Still Under Review

Some details of Mr. Watt's policy decision are still under review by the White House, administration trade officials and some other government agencies. Nevertheless, it is clear that the Interior chief has decided to declare Kuwait and its government-owned Kuwait Petroleum Corp. eligible for federal leases. And the Interior Department is expected to begin processing large numbers of pending lease applications filed by Kuwaiti investors, including Santa Fe International Corp., Kuwait Petroleum Corp.'s U.S. unit.

The decision caps more than a year of high-level diplomatic discussions and internal administration debates over whether to bar Kuwaiti investors from access to federal mineral rights. Santa Fe and the Kuwaiti government have been urging the administration to give them full access to federal lands, but pending applications were held up until a final policy decision was made.

Once the administration permits Kuwait to acquire new federal leases, it is unlikely that other Middle East oil producers looking for similar investments in the U.S. would be denied access.

"The decision is significant for Kuwait in the short run, but it's much more important in terms of a long-term precedent," said one administration official involved in the discussions. "A number of other countries that have shied away from such investments are likely to take the plunge after this."

The decision is in line with the administration's free-market philosophy, and officials at the White House and the Interior Department argue that increased investment in the U.S. is likely to make Arab countries in the Middle East more friendly to U.S. interests. But there is strong pressure in Congress to punish countries that many lawmakers contend discriminate against investment by U.S. companies or citizens in their energy resources.

Legislative Solution

In the past year, for example, a number of House subcommittees held hearings on the issue involving Kuwait, Canada and several other countries. And the effort to find a legislative solution is expected to continue next year.

As part of his decision, Secretary Watt and government attorneys determined that Kuwait's domestic investment policies conform with the requirements of the 1920 Mineral Leasing Act. "It wasn't a really difficult legal call," said another administration official. "But it's politically tough to give ammunition to critics who argue that Arab investors are going to get a stranglehold on oil reserves in the U.S."

Kuwait's oil company acquired Santa Fe International last year in a controversial $2.5 billion tender offer. It also has reached agreements to finance AZL Resources Inc. in a $100 million U.S. oil-exploration program, and to buy a refinery from Honolulu-based Pacific Resources Inc. in a separate $185 million transaction. In addition, Kuwaiti officials have told administration policy makers they are interested in obtaining federal coal leases and possibly investing in other companies that have major interests in developing federal lands.

Mr. Watt's decision follows a policy pattern and a general legal framework that granted full access to federal mineral leases to Canada, Cyprus and Sweden in the past year. The Canadian issue was especially controversial because many U.S. lawmakers and corporations urged retaliatory action against Canadian energy policies intended to favor Canadian companies.

Like the other countries, Kuwait hasn't agreed to change any of its laws restricting foreign investment in natural resources as a result of the U.S. decision.

Exhibit D

United States Department of the Interior

OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20240

SUSPENSION OF DECISION ON THE STATUS OF KUWAIT UNDER THE MINERAL LEASING ACT OF 1920 (30 U.S.C. § 181 *et seq.*)

On December 29, 1982, we rendered a preliminary decision on the status of Kuwait under section 1 of the Mineral Leasing Act of 1920, 30 U.S.C. § 181. Based on our review of available information concerning the laws, customs and regulations of Kuwait and on existing Departmental interpretations of section 1, we tentatively concluded that Kuwait does not deny similar or like privileges to citizens or corporations of the United States within the meaning of section 1. However, since that initial evaluation, it has come to our attention that additional information may exist which should be considered before a final decision is rendered. For this reason, the preliminary decision of December 29, 1982, is hereby suspended and shall have no force or effect until further notice.

Dated: 1/21/83

Assistant Secretary--Land and Water Resources

I concur:

William H. Coldiron
SOLICITOR

Dated: Jan. 21, 1983

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FACT SHEET REGARDING
FEDERAL MINERAL LEASING
BY SANTA FE INTERNATIONAL CORPORATION

In December 1981, Kuwait Petroleum Corporation (KPC) injected $2.5 billion in cash into the U.S. economy when it purchased Santa Fe International Corporation (Santa Fe) from its U.S. stockholders. At the time, KPC's investment was reviewed without objection by the inter-agency task force on foreign investment, the Committee on Foreign Investment in the United States (CFIUS). Subsequently, CFIUS also reviewed, without objection, KPC's investment of an additional $400 million into Santa Fe to allow Santa Fe to purchase Andover Oil Company, which was on the verge of bankruptcy and had sought a purchaser unsuccessfully for some time. KPC's resources have helped Santa Fe preserve jobs for 8000 United States citizens in the current economic downturn.

The Department of the Interior, which was involved in those CFIUS proceedings, is now deciding whether to affirm a December 29, 1982 Department Decision that, under KPC's ownership, Santa Fe is qualified to own onshore federal oil and gas leases under the Mineral Lands Leasing Act (MLLA), 30 U.S.C. § 181 et seq. Enacted in 1920, when the U.S. oil and gas industry was still in its infancy, the MLLA provides that U.S. corporations owned by foreigners cannot acquire MLLA leases if the foreign country in question denies similar or like privileges to U.S. persons.

At the time of the December 29, 1982 ruling in favor of Kuwait's qualification, a government official indicated to the Wall Street Journal that the "legal call" was an easy one. The matter is now under final review by Secretary of the Interior Watt. This fact sheet is intended to address some of the arguments that have been made against affirming Kuwait's qualification.

1. Argument: Foreigners are not eligible to own MLLA leaseholders. Response: The MLLA allows foreigners from qualified countries to own leaseholders, and over 40 countries have been found qualified in the past. (List attached.) A flat prohibition against foreign ownership would be contrary to the U.S. tradition of welcoming foreign investment here. Indeed, even the limited alien disqualification of the MLLA is an obsolete provision based on 1920's conditions when the U.S. oil and gas industry was in its infancy; the more modern statute governing federal off-shore leasing has

no such limitation. (<u>See</u> Outer Continental Shelf Lands Act of 1953, 43 U.S.C. § 1331 <u>et seq</u>.)

2. Argument: A country like Kuwait, where the oil and gas industries are state owned, is disqualified. <u>Response</u>: The MLLA has never been interpreted to require that U.S. companies must be able to obtain oil and gas leases in a particular country to qualify that country under the MLLA, so long as that country does not discriminate against U.S. companies. At least four other countries with state ownership of some or all hydrocarbon industries -- Great Britain, Mexico, Venezuela, and Brazil -- have long been held to be qualified. In addition, countries which have no significant mineral resources -- <u>e.g.</u>, France and Japan -- have long been held qualified. A 1974 Department of the Interior opinion concerning Great Britain explains that these precedents are consistent with the MLLA and its legislative history because Congress only sought to bar countries which discriminated against U.S. companies, and there is no such discrimination where state ownership forecloses the ownership of mineral rights by any private concerns. The important goal sought to be protected by the alien qualification provision was that U.S. companies should be able to purchase production from oil exporting countries, which is the case with Kuwait. Kuwait does not discriminate against the United States in investment in Kuwaiti mineral leases or in access to Kuwaiti oil.

3. Argument: Santa Fe is not qualified because it is owned by KPC, which is owned by the Government of Kuwait. <u>Response</u>: The MLLA imposes no restriction based on direct or indirect foreign-government ownership. Other foreign-government controlled companies -- including British Petroleum (Great Britain) and Societe Nationale Elf Aquitaine (France) -- own interests in leaseholders.

4. Argument: A country which belongs to OPEC cannot be qualified. <u>Response</u>: Venezuela belongs to OPEC and has long been considered qualified, as have other countries such as Great Britain and Mexico which export oil at prices consistent with OPEC prices.

5. Argument: OPEC countries cannot be qualified because they embargoed oil to the United States in 1973. <u>Response</u>: It would be counterproductive for the United States to disqualify OPEC members permanently because of actions taken 10 years ago during a short-lived crisis. Generally, when the reason for imposition of U.S. trade restrictions ends, the restriction is terminated. Kuwait's qualification under the MLLA would serve to enhance the longstanding cooperative relations between the countries.

6. Argument: Kuwait could abuse Santa Fe's MLLA leases for political purposes or to manipulate prices and supplies. Response: Kuwait would have no incentive or desire to take such steps and could not do so as a practical matter or a legal matter. KPC purchased Santa Fe as a stable, long-term investment in a country with which it maintains good relations. Any abuses of MLLA leases would only threaten those goals by inviting the imposition of sanctions. Moreover, the MLLA limits the acres Santa Fe may hold in any state, requires diligent development of leased properties, prevents exportation of production without a license, prohibits price fixing, and prevents suspension of production without U.S. permission. The President also would have general authority over alien-owned property in an emergency declared under the International Emergency Economic Powers Act, 50 U.S.C. § 1701 et seq. Finally, Santa Fe is a U.S. company subject to U.S. law and managed by the directors and officers who were in place prior to the acquisition by KPC. (List attached.) When CFIUS studied the KPC-Santa Fe transaction, it concluded that KPC would not and could not abuse ownership of Santa Fe to injure the United States.

7. Argument: Foreign control of our oil and gas resources is bad for the country. Response: Santa Fe has a miniscule percentage of U.S. oil and gas production and of MLLA leases -- less than one-half of one percent in each case. It is thus an insignificant factor in oil and gas markets and, realistically, will never be a competitive influence. But Santa Fe does have something to contribute to the economic welfare of the country. KPC would like to invest in MLLA leases, thereby creating jobs and enhancing our energy security by increasing domestic production. In 1981, the Office of the Special Trade Representative pointed out that Canada was acting short-sightedly when it restricted foreign investment in oil and gas exploration because capital that could have created jobs and energy supplies in Canada was instead being spent in the United States. The United States should not be similarly short-sighted in turning away investment from Kuwait and other countries with similar laws.

Countries Previously Determined
<u>To Be Qualified Under The MLLA*</u>

Anguilla	Jamaica
Argentina	Japan
Australia	Lebanon
Austria	Liberia
Bahamas	Liechtenstein
Belgium	Luxembourg
Bermuda	Malaysia
Brazil	Mexico
British Virgin Islands	Netherlands
Canada**	Netherlands Antilles
Cayman Islands	New Zealand
Cyprus***	Norway
Denmark	Panama
Federal Republic of Germany	Philippines (40%)
France	Singapore
Great Britain	South Africa
Greece	Spain
Hong Kong	Sweden****
Ireland	Switzerland
Israel	Taiwan
Italy	Trinidad & Tobago
	Venezuela

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* Basic Source: Bureau of Land Management, U.S. Department of the Interior, List of "Reciprocal Countries" as of June 18, 1981.

** <u>See</u> "Secretarial Decision Paper: Reciprocity Status of Canada" (Feb. 2, 1982).

*** <u>See</u> "Decision on the Status of Sweden and Cyprus Under the Mineral Lands Leasing Act of 1920 (30 U.S.C. § 181 <u>et seq</u>.)" (Sept. 17, 1982).

**** <u>See</u> <u>id</u>.

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