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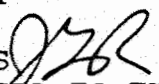
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THE WHITE HOUSE

WASHINGTON

September 12, 1985

MEMORANDUM FOR DAVID L. CHEW
STAFF SECRETARY

FROM: JOHN G. ROBERTS 
ASSOCIATE COUNSEL TO THE PRESIDENT

SUBJECT: Economic Policy Council Decision
Memorandum on Sugar Quotas

This will confirm my oral advice to your office that Counsel's Office has reviewed the above-referenced decision memorandum, and has no legal objection to it going forward to the President.

WHITE HOUSE CORRESPONDENCE TRACKING WORKSHEET

- O - OUTGOING
 H - INTERNAL
 I - INCOMING
 Date Correspondence Received (YY/MM/DD) 1 1

Name of Correspondent: D. Chew

MI Mail Report User Codes: (A) _____ (B) _____ (C) _____

Subject: Economic Policy Council Decision Memo on Sugar Quotas

ROUTE TO: Office/Agency (Staff Name)	ACTION		DISPOSITION		
	Action Code	Tracking Date YY/MM/DD	Type of Response	Code	Completion Date YY/MM/DD
<u>UNH</u>	ORIGINATOR	<u>85,09,12</u>			<u>1 1</u>
	Referral Note:				
<u>CR 18</u>	<u>R</u>	<u>85,09,12</u>		<u>S</u>	<u>85,09,12</u>
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- ACTION CODES:**
 A - Appropriate Action
 C - Comment/Recommendation
 D - Draft Response
 F - Furnish Fact Sheet to be used as Enclosure
 I - Info Copy Only/No Action Necessary
 R - Direct Reply w/Copy
 S - For Signature
 X - Interim Reply
- DISPOSITION CODES:**
 A - Answered
 B - Non-Special Referral
 C - Completed
 S - Suspended
- FOR OUTGOING CORRESPONDENCE:**
 Type of Response = Initials of Signer
 Code = "A"
 Completion Date = Date of Outgoing

Comments: _____

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WHITE HOUSE STAFFING MEMORANDUM

DATE: 9/12/85 ACTION/CONCURRENCE/COMMENT DUE BY: NOON ~~2:00 PM~~ today

SUBJECT: Economic Policy Council Decision Memo on Sugar Quotas

	ACTION FYI			ACTION FYI	
VICE PRESIDENT	<input type="checkbox"/>	<input type="checkbox"/>	LACY	<input type="checkbox"/>	<input type="checkbox"/>
REGAN	<input type="checkbox"/>	<input checked="" type="checkbox"/>	McFARLANE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
WRIGHT	<input checked="" type="checkbox"/>	<input type="checkbox"/>	OGLESBY	<input checked="" type="checkbox"/>	<input type="checkbox"/>
BUCHANAN	<input checked="" type="checkbox"/>	<input type="checkbox"/>	ROLLINS	<input checked="" type="checkbox"/>	<input type="checkbox"/>
CHAVEZ	<input type="checkbox"/>	<input type="checkbox"/>	RYAN	<input type="checkbox"/>	<input type="checkbox"/>
CHEW	<input type="checkbox"/> P	<input checked="" type="checkbox"/> SS	SPEAKES	<input type="checkbox"/>	<input type="checkbox"/>
DANIELS	<input type="checkbox"/>	<input type="checkbox"/>	SPRINKEL	<input checked="" type="checkbox"/>	<input type="checkbox"/>
FIELDING	<input checked="" type="checkbox"/>	<input type="checkbox"/>	SVAHN	<input checked="" type="checkbox"/>	<input type="checkbox"/>
FRIEDERSDORF	<input checked="" type="checkbox"/>	<input type="checkbox"/>	THOMAS	<input checked="" type="checkbox"/>	<input type="checkbox"/>
HENKEL	<input type="checkbox"/>	<input type="checkbox"/>	TUTTLE	<input type="checkbox"/>	<input type="checkbox"/>
HICKEY	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
HICKS	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
KINGON	<input type="checkbox"/>	<input checked="" type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>

REMARKS: Please give your recommendations to my office by ~~2:00 PM~~ **Noon** today. Thanks.

RESPONSE:

1985 SEP 12 11 3 45

David L. Chew
Staff Secretary
Ext. 2702

THE WHITE HOUSE

WASHINGTON

Received
1985 SEP 12 11 0 21

September 11, 1985

MEMORANDUM FOR THE PRESIDENT

FROM: THE ECONOMIC POLICY COUNCIL
SUBJECT: Sugar Quotas

You must determine by Friday, September 13, a quota level for imports of raw sugar covering FY 1985-86. The decision will have important national security and budgetary implications, and requires a choice between conflicting goals:

- o Reducing the U.S. base quota from the current level would reduce the foreign exchange earnings of developing countries, particularly in the Caribbean Basin and Central American regions, by approximately \$234 million, raising U.S. national security concerns.
- o Maintaining the base quota at the current level would cause excess sugar in the U.S. market, resulting in as much as \$280 million in Federal budget outlays under the domestic sugar price-support program and potential incremental costs to U.S. consumers.

The Sugar Program

The 1981 Farm Bill established a Federal price support program for domestic beet and cane sugars with the congressional intent that presidential authority be used to achieve the specified support price without incurring budget outlays. The Administration has accomplished this by imposing duties and fees and, more significantly, establishing import quotas on sugar produced overseas.

Since 1981, world sugar demand has declined, reducing world prices from approximately 25 cents per pound in 1980-81 to nearly three cents per pound in 1984-85. U.S. demand also has declined due in large part to a shift by domestic users to less-costly sugar substitutes. Despite the fall in demand and world prices, protected domestic sugar production has increased. As a result, U.S. sugar quotas have become increasingly restrictive.

International Implications of U.S. Sugar Quota

U.S. raw sugar imports have dropped precipitously -- from 4 to 5 million tons before 1981 to roughly half that level in the current year. This has had a serious impact on strategic nations in the Caribbean Basin Initiative (CBI) and Central American regions which stand to lose \$124 million annually in foreign exchange. Employment also has been severely harmed -- increasing the likelihood of social and political unrest in those regions.

Moreover, the reduced access of CBI countries to the U.S. market has undermined the CBI trade program, one of your top foreign policy priorities, by discouraging economic and political development in developing areas. In addition, in the Philippines Communist insurgency is growing in sugar areas, fed by the existing economic crisis.

Current Dilemma

The Administration is faced with a dilemma, caught between competing budgetary and national security concerns:

- o Protected domestic sugar production is fast reaching the level of domestic sugar use.
- o In order to avoid budget outlays to domestic sugar producers, the Administration will have to reduce the base quota level from 2.6 million tons (14 month quota year) to one million tons in FY 1985-86 (10 month quota year).
- o Reducing the quota for FY 1985-86 will cause severe foreign exchange losses and internal economic dislocations in certain countries of key importance to the U.S. Particularly when combined with previous sugar quota cuts, these losses absorb a very large part of the CBI's trade benefits and put into serious question the Administration's commitment to the program and to the region.
- o Escaping this dilemma through reform of the domestic sugar program does not appear viable this year:
 - Although the Administration's FY 1985 Farm Bill proposal would scale down the sugar program, it still would require that import quotas be imposed in FY 1985-86 to avoid budget outlays.
 - The Senate and House Agriculture Committee already have voted overwhelmingly to continue the domestic sugar price support level at 18 cents per pound with the continuing intent to avoid additional budget outlays, portending the necessity for further reductions in the base quota during outyears.

The immediate decision on a sugar quota level for FY 1985-86 requires a two-step inquiry:

1. Should the Administration maintain the quota at the current level, causing substantial U.S. budget outlays? Or, instead, should the Administration reduce the quota, causing harm to developing nations?
2. If the quota is reduced, can the Administration mitigate the resultant economic harm to developing nations?

None of the options outlined below can be expected to address the root of the dilemma: the U.S. sugar program. Competing national security and budgetary issues can only be resolved through reform of that program.

Policy Options

The Council has developed three options, ranging from maintaining the current quota level to reducing the quota -- as has been the practice to date -- but mitigating the impact of a reduction on Caribbean and Latin American nations through a "sugar adjustment fund."

Option 1: Reduce the quota level in FY 1985-86 to 1.03 million tons which would balance projected domestic supply with projected domestic use.

This option would continue quota procedures used to date, avoiding excess domestic supplies and potential forfeitures of domestic sugar to the CCC.

Advantages

- o Avoids increasing Federal spending during FY 1985-86 by \$280 million.
- o Most nearly meets the congressional intent of the 1981 Farm Bill which called for achieving specified price support levels for U.S. sugar producers through non-budget means.

Disadvantages

- o Further harms the foreign exchange earnings of developing nations, in particular those targeted by the Administration's Caribbean Basin Initiative.
- o Reduces revenues of domestic sugar refiners by as much as \$300 million, and could increase U.S. consumer costs by as much as \$400 million.

Option 2: Maintain the quota for FY 1985-86 at the current level (1.82 million tons adjusted for the 10 month quota year) with a token reduction to 1.72 million tons. The reduction would send a signal to sugar producing countries of the conditions in our domestic sugar market.

Because domestic sugar production is rising while domestic use is declining, this option would cause excess supplies in the U.S. market.

Advantages

- o Permits developing nations to maintain foreign exchange earnings gained from sugar exports to the U.S. market.
- o Permits domestic sugar refiners to maintain current earnings, and could save U.S. consumers substantial incremental costs for sweetened products.
- o Places some of the "hidden costs" of the sugar program on budget.

Disadvantages

- o Causes domestic producers to forfeit as much as \$280 million in domestic sugar held in loan by the CCC.
- o Would be viewed by Congress as contrary to the intent of the 1981 Farm Bill.

Option 3: Seek to establish a "sugar adjustment fund" to mitigate the impact of a lowered quota; lower the quota to 1 million tons simultaneously with implementing the sugar adjustment fund.

This option would establish a fund to offset 75 percent of the export earnings losses of CBI designated countries and other developing nations with per capita incomes of less than \$1500, resulting from the lower U.S. sugar import quota. Grants from this fund would be conditioned on an eligible nation's development of a plan for reducing its dependence on sugar exports. Assuming a 1.03 million ton quota for 1985-86, the value of the fund would be \$175 million. Outyear values would reflect future decisions on quota levels, and would cease when U.S. quotas are no more restrictive than at present.

The Administration could propose the plan as an amendment to the 1985 Farm Bill, but Congress likely would refer it to a foreign aid committee.

Advantages

- o Complements the U.S. CBI program, giving short-term trade assistance to strategic developing nations.
- o Unlikely to be opposed by agriculture interests in Congress.

Disadvantages

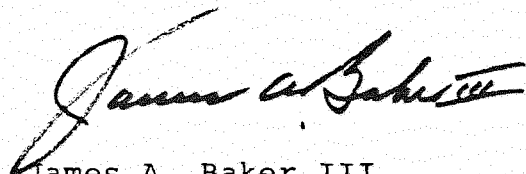
- o Involves U.S. government in the agri-markets of developing countries by asking those nations to make market adjustments that the U.S. sugar industry refuses to make, causing potentially long-term Federal budget-commitments abroad.
- o Sets precedent for voluntarily compensating trading partners for restrictions on access to U.S. markets, and is contrary to the intent of the Caribbean Basin trade initiative.

Decision

- Option 1 _____ Reduce the quota level for FY 1985-86 to 1.03 million tons which would balance projected domestic supply with projected domestic use.
- Option 2 _____ Maintain the quota for FY 1985-86 at the current level (1.82 million tons adjusted for the 10 month quota year) with a token reduction to 1.72 million tons.
- Option 3 _____ Seek to establish a "sugar adjustment fund" to mitigate the impact of a lowered quota; lower the quota to one million tons simultaneously with implementing the sugar adjustment fund.

Recommendation

The Economic Policy Council unanimously recommends Option 2.



James A. Baker III
Chairman Pro Tempore

THE WHITE HOUSE

WASHINGTON

September 13, 1985

MEMORANDUM FOR RICHARD A. HAUSER

FROM:

JOHN G. ROBERTS 

SUBJECT:

Economic Policy Council Policy Directives

You will recall that you asked me to examine the proposal to have the President issue "Economic Policy Council Policy Directives" implementing trade decisions recommended by the Economic Policy Council. Gene McAllister submitted two such directives for your review, on Section 301 cases and on tied aid export credits. I discussed the issue with McAllister, who agreed to drop the Section 301 directive (since the decision had already been made and announced) and to send the tied aid export credit directive through with the decision memorandum.

In fact, that decision memorandum had already been staffed to Hugh Hewitt, who noted no legal objection. The problem that has arisen is that the policy directive is not an accurate reflection of the decision memorandum Hugh reviewed. The policy directive has the President directing the Export-Import Bank to undertake certain actions, including the dramatic one, for a bank, of drawing on its capital. The decision memorandum simply noted the Bank would do this. It is not immediately apparent that the President can direct the Bank to do anything. The Bank is an "independent agency," governed by a Board of Directors. 12 U.S.C. § 635a. In any event, apparently no one has considered the question.

I raised these concerns with McAllister, who agreed to drop the directive in this case. I called Chew's office to ensure it did not go forward. McAllister and Treasury (Darman and Cooksey) would like to set up a meeting to consider the general question of issuing such directives. I told them we would be pleased to participate. We should discuss our position soon. My own view is that we should resist setting up any new system of legally operative documents. The problem with the tied aid export credits directive is a good example of the potential difficulties.

cc: Hugh Hewitt

THE WHITE HOUSE
WASHINGTON

John

I spoke with David Chew last night and he suggested that instead of re-routing the tied aid paper, which has already gone through White House clearance, I just check with you directly on the policy directive.

A copy of the memo for the President, along with the policy directive is attached. Could you please review it this morning, if possible. I like to get it into the President this afternoon.

Thanks for your help.

Gene MacCallister.

THE WHITE HOUSE

WASHINGTON

September 12, 1985

MEMORANDUM FOR THE PRESIDENT

FROM: THE ECONOMIC POLICY COUNCIL

SUBJECT: Tied Aid Export Credits

A part of the overall trade strategy, which was discussed with you at Monday's Economic Policy Council meeting, calls for creating a \$300 million fund to enhance our negotiating leverage, particularly against the French, to eliminate predatory tied aid export credits.

Background

France has aggressively subsidized industrial exports by offering tied aid credits. Others have adopted this practice in order to remain competitive. By mixing grants with official export credits, governments can reduce the effective interest rate of these tied aid or "mixed" credits. Our competitors, particularly France, are increasingly using these credits to penetrate markets under the guise of foreign aid. The OECD predicts the volume of such credits will total about \$6 billion in 1985.

The Administration has proposed an OECD agreement that would require at least 50 percent of any such credit be in the form of a grant. That minimum grant element would make these credits so expensive to use that it would in effect eliminate the practice of tied aid credits. We have succeeded in raising the minimum grant element from 20 to 25 percent, but have been blocked by France from further raising the minimum grant element. Nearly all other OECD members agree that the minimum grant element should be raised further.

Policy Considerations

In considering whether to create such a fund, you should look at several factors.

- o Probability of success. What is the probability that such a fund would succeed in discouraging other countries from using tied aid credits for commercial advantage?
- o Overall trade policy. Given our overall trade policy objectives of promoting free trade and addressing unfair trade practices, how would such a fund fit in with our trade strategy? To what extent would such a fund help defuse or add fire to congressional protectionist pressures?
- o Budget policy. Given our efforts to reduce excessive Federal spending, to what extent would proposing a new \$300 million program for such credits undermine such efforts?

Proposal

The Administration would immediately seek legislation to authorize and appropriate a \$300 million fund for grants that would be tied to Export-Import Bank or private sector loans. The \$300 million in grants would be combined with roughly \$700 million in Export-Import Bank regular credits, which could support up to \$1.0 billion in tied aid credit authorizations. As an interim step until Congressional authorization of such a fund, the Export-Import Bank would draw on its limited capital and begin aggressively offering tied aid credits to capture traditional French markets.

The program would end on September 30, 1987 unless expressly renewed. Since the Department of the Treasury is the lead agency in the OECD negotiations to restrict the use of tied aid credits, it would control the use of the fund with the advice of the National Advisory Council on International Monetary and Financial Policies, comprising the Departments of State, the Treasury, and Commerce, the U.S. Trade Representative, Agency for International Development, Export-Import Bank, and the Federal Reserve.

Advantages

- o Such a fund would be perceived as an important, aggressive trade policy initiative and could serve to defuse some of the congressional protectionist pressures. Also, along with your self-initiation of Section 301 cases, such a fund would be another powerful and genuine initiative in our overall trade strategy. In addition, this proposal would continue our emphasis on addressing unfair trade practices.
- o Such a fund would increase our leverage in negotiations to restrict further the use of tied aid credits. Despite an OECD mandate for such a restriction, it is becoming clear that France will not accept a significant increase in the minimum grant element. The support of even our "allies" (UK, FRG, and Canada) is weakening.

The current program of selectively matching French credits does not represent a credible threat to the French in part because the Export-Import Bank and AID do not have sufficient funds for this purpose.

- o Since Congress is expected to initiate its own version of such a fund, an Administration proposal could preempt efforts to create a more expensive and less focused program.

Disadvantages

- o Proposing such a fund could contribute to the protectionist momentum in the Congress and perhaps serve as a "Christmas tree" for other protectionist trade legislation.

- o Proposing a new \$300 million program could undermine our efforts to cut excessive Federal spending.
- o U.S. exporters may try to transform the proposal into an entitlement program for big business and could succeed in doing so.
- o The Congress might be tempted to reduce the funds available for bilateral and multilateral development assistance programs in favor of a fund for tied aid credits.

Decision

Propose creating a \$300 million fund to increase our negotiating leverage, particularly against the French, to eliminate predatory tied aid export credits. The Treasury Department would administer the fund, which would be financed through a supplemental appropriation.

(Supported by Treasury, State, Agriculture, Commerce, Labor, Transportation, USTR, NSC, and CEA. Opposed by OMB.)

Approve _____ Disapprove _____

James A. Baker III
Chairman Pro Tempore

THE WHITE HOUSE

WASHINGTON

Economic Policy Council
Policy Directive #

Tied Aid Export Credits

I hereby direct the Secretary of the Treasury to transmit legislation to authorize and appropriate a \$300 million fund for grants that would be tied to Export-Import Bank credits or private sector loans. The purpose of this program of tied aid credits is to support the Secretary's negotiating efforts in eliminating predatory tied aid credits by other countries.

I also direct the Chairman of the Export-Import Bank of the United States immediately to begin drawing on its capital and reserves to offer tied aid credits as an interim step in support of this effort. This Export-Import Bank program will be superseded when appropriated funds are available in accordance with the proposed legislation.

I direct the Secretary of the Treasury to control the use of these funds with the advice of the National Advisory Council on International Monetary and Financial Policies. This program would expire at the determination of the Secretary of the Treasury or by September 30, 1987 unless expressly renewed by the Congress.

THE WHITE HOUSE

WASHINGTON

October 11, 1985

MEMORANDUM FOR DAVID L. CHEW
STAFF SECRETARY

FROM: JOHN G. ROBERTS *JGR*
ASSOCIATE COUNSEL TO THE PRESIDENT

SUBJECT: Economic Policy Council Decision Memo:
Initiating Unfair Foreign Trade Proceedings

Counsel's Office has reviewed the above-referenced proposed decision memorandum for the President from the Economic Policy Council, recommending the initiation of Section 301 investigations and a GATT subsidies code case. USTR General Counsel Alan Holmer advised me that the consultations required by 19 U.S.C. § 2412(c)(2) prior to any decision to initiate a Section 301 investigation have taken place. Accordingly, this office has no legal objection to the memorandum going forward.

WHITE HOUSE STAFFING MEMORANDUM

DATE: 10/11/85 ACTION/CONCURRENCE/COMMENT DUE BY: 6:00 p.m. TODAY

SUBJECT: Economic Policy Council Decision Memo: Initiating Unfair Foreign Trade Proceedings

	ACTION FYI			ACTION FYI	
VICE PRESIDENT	<input type="checkbox"/>	<input checked="" type="checkbox"/>	LACY	<input type="checkbox"/>	<input type="checkbox"/>
REGAN	<input type="checkbox"/>	<input checked="" type="checkbox"/>	McFARLANE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
MILLER	<input type="checkbox"/>	<input type="checkbox"/>	OGLESBY	<input checked="" type="checkbox"/>	<input type="checkbox"/>
BUCHANAN	<input checked="" type="checkbox"/>	<input type="checkbox"/>	RYAN	<input type="checkbox"/>	<input type="checkbox"/>
CHAVEZ	<input type="checkbox"/>	<input type="checkbox"/>	SPEAKES	<input type="checkbox"/>	<input type="checkbox"/>
CHEW	<input type="checkbox"/> P	<input type="checkbox"/> SS	SPRINKEL	<input type="checkbox"/>	<input type="checkbox"/>
DANIELS	<input type="checkbox"/>	<input type="checkbox"/>	SVAHN	<input checked="" type="checkbox"/>	<input type="checkbox"/>
FIELDING	<input checked="" type="checkbox"/>	<input type="checkbox"/>	THOMAS	<input checked="" type="checkbox"/>	<input type="checkbox"/>
FRIEDERSDORF	<input checked="" type="checkbox"/>	<input type="checkbox"/>	TUTTLE	<input type="checkbox"/>	<input type="checkbox"/>
HENKEL	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
HICKEY	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
HICKS	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
KINGON	<input type="checkbox"/>	<input checked="" type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>

REMARKS: Please give your recommendations to my office by 6:00 p.m. today.

RESPONSE:

David L. Chew
Staff Secretary
Ext. 2702

THE WHITE HOUSE

WASHINGTON

October 11, 1985

MEMORANDUM FOR THE PRESIDENT

FROM: THE ECONOMIC POLICY COUNCIL

SUBJECT: Initiating Unfair Foreign Trade Proceedings

On September 7, you accelerated or initiated five Section-301 investigations of unfair foreign trading practices -- Japanese restrictions on leather and leather footwear imports, European Community (EC) canned fruit subsidies, Korean barriers to insurance sales, Brazilian restrictions on micro-electronics imports, and Japanese restrictions against U.S. tobacco products. These initiatives, along with your September 23 speech to the President's Export Council stressing the importance of opening foreign markets to our products, have strengthened our ability to resist protectionist legislation that would close our borders to imports.

To continue our efforts in attacking unfair foreign trading practices and resisting legislation that would restrict free trade, the Economic Policy Council has considered the possibility of initiating unfair trade proceedings against a number of foreign practices. We are recommending that you initiate Section 301 investigations against Taiwanese restrictions on cigarettes, beer and wine and Korean abuses of U.S. intellectual property rights. We are also recommending that you initiate a GATT dispute settlement proceeding on unfair EC wheat export subsidies.

THE UNFAIR TRADE PRACTICES

In determining which unfair trade practice investigations to initiate, the Economic Policy Council considered several factors: the flagrancy of the practice; the amount of trade and number of jobs involved; the degree of support from U.S. industry; the duration of the practice; the intensity and duration of U.S. complaints; our international competitiveness; the likelihood of negotiating the elimination or modification of the practice; the impact on Congress of initiation; and our political and economic relationships with the country involved.

Taiwan - Cigarette, Wine and Beer Monopoly

Taiwan maintains monopoly controls on the import and distribution of cigarettes, wine and beer through the use of high tariffs and other import limitations, discriminatory

rules on distribution, and discriminatory pricing practices. As a result of these barriers, U.S. cigarette exports accounted for less than 1 percent of Taiwan's \$840 million market, beer imports are currently banned and U.S. wine exports amounted to only 62 metric tons in 1984. Were Taiwan a signatory to the GATT, its practices would be illegal. Liberalizing the Taiwan monopoly has been one of our major market access objectives in Taiwan for the last two years.

The Economic Policy Council unanimously recommends initiating this Section 301 investigation.

[Within the last forty-eight hours, Taiwan officials have offered to open their markets to these products over the next six to twelve months. If this issue is satisfactorily resolved with the Taiwanese in the next few days, we would plan to announce that, because of Taiwan's action, we are not initiating the investigation as originally intended. However, you would instruct the USTR, to report to you on the progress and effectiveness of Taiwan's market opening measures by December 31, 1985.]

Korea - Intellectual Property Abuses

Korea's laws deny effective protection for U.S. intellectual property. Under Korean law foodstuffs, chemical compounds and compositions are not eligible for patent protection. Protection for chemicals and pharmaceuticals is limited to process patents, a very weak form of protection. Works of U.S. authors are not protected under Korea's copyright law. Consequently, U.S. firms are reluctant to invest in Korea or to introduce products for which misappropriation of the underlying R&D is likely. Similarly, U.S. authors receive no payment for the unauthorized copies of their works sold in Korea. It is difficult to determine the effects of these policies especially where the effect is simply a decision not to invest. However, U.S. industry estimates losses of over \$170 million annually solely because of the lack of adequate copyright protection. The U.S. has consulted with Korea on these issues over the last two years. While the Government of Korea has made a commitment to change its laws to extend protection in these areas, no legislative changes have yet been made.

The Economic Policy Council unanimously recommends initiating this Section 301 investigation.

EC Export Subsidies on Wheat

The EC directly subsidizes exports of wheat. High domestic support prices in the EC have resulted in increasing EC

over-production of wheat, and the EC provides direct export subsidies in whatever amount necessary to sell this otherwise uncompetitive surplus. The effect of these subsidies over time has been to increase the EC's share of the \$14.5 billion world export market from less than 8 percent in the early 1970's to more than 16 percent in the past crop year, and to depress world prices. U.S. farmers suffer doubly: depressed prices and reduced export volume. EC subsidies are particularly damaging in this period of declining world trade.

International rules do not prohibit export subsidies on farm products, but rather prohibit using such export subsidies to take "more than an equitable share" of world trade.

A Section 301 investigation would be too confrontational, particularly because of the sensitive steel negotiations under way with the EC. An international dispute settlement procedure involving the EC under the GATT subsidies code however, will take the EC to task internationally, and is an action which will be greeted with enthusiasm by our beleaguered farm community.

The Economic Policy Council unanimously recommends initiating this GATT Subsidies Code case.

UNFAIR TRADE INVESTIGATION PROCEDURES

The Section 301 investigations and the GATT Subsidies Code case follow different procedures.

Section 301

After you direct the USTR to initiate the Section 301 investigations, USTR would publish notice of these investigations in the Federal Register, solicit public comment on the issues raised and request consultations with the government affected. Unless these cases are settled to our satisfaction within a reasonable period of time, but in any case within one year, the USTR will recommend to you, through the Economic Policy Council, specific retaliatory action against the offending country.

GATT Subsidies Code

After you direct the USTR to initiate the GATT Subsidies Code case, the USTR will initiate proceedings under the Subsidies Code. Dispute settlement under the Code includes three phases: bilateral consultations, conciliation, and establishment of a dispute settlement panel. USTR will first request bilateral consultations with the EC. If those consultations do not lead to a resolution of the problem within 30 days of the request, the U.S. may request

conciliation. Under conciliation, which also lasts 30 days, the Signatories to the Subsidies Code will hear the U.S. complaint and try to assist the U.S. and EC in resolving the issue. At the end of 30 days, the U.S. may request establishment of a dispute settlement panel to review its complaint and issue findings and recommendations which must be reviewed by all the Signatories. In theory the entire process should take seven months. In practice the process takes longer.

DECISION

The USTR should initiate Section 301 proceedings in the following cases:

Taiwan Cigarettes, Beer and Wine Approve _____ Disapprove _____

(unanimously supported by the EPC)

[If this issue is resolved with the Taiwanese within the next few days, the USTR would not initiate an investigation. We would instead announce the Taiwanese action and you would instruct the USTR to report to you on the progress of Taiwan's market opening measures by December 31, 1985.]

Korea Intellectual Property Abuses Approve _____ Disapprove _____

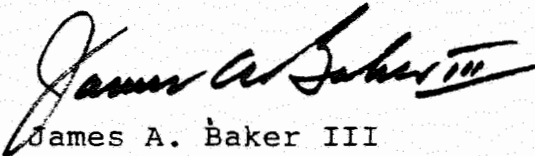
(unanimously supported by the EPC)

The USTR should initiate GATT Subsidies Code dispute settlement proceedings in the following case:

EC Wheat Export Subsidies Approve _____ Disapprove _____

(unanimously supported by the EPC)

After you make a decision, and before it is announced, the Department of State and the USTR will inform the affected countries.


James A. Baker III
Chairman Pro Tempore

THE WHITE HOUSE

WASHINGTON

November 25, 1985

MEMORANDUM FOR FRED F. FIELDING

FROM: JOHN G. ROBERTS 

SUBJECT: Economic Policy Decision Memo:
Section 301 Proceedings Deadlines

David Chew has asked for comments as soon as possible on the attached Economic Policy Council decision memorandum for the President. You will recall that the President, on September 7, directed USTR to accelerate two pending Section 301 cases, on Japanese leather and European Community canned fruit. The President set a December 1 deadline for a negotiated resolution of those cases. It now appears that a negotiated settlement will not be reached by December 1.

The Economic Policy Council decision memorandum recommends that the President retaliate by imposing prohibitive tariffs on specified Japanese products (including products unrelated to the dispute) and European Community canned fruit. These actions are within the President's authority under Section 301, 19 U.S.C. § 2411, which authorizes him to "take all appropriate and feasible action," and in particular authorizes action with respect to any goods "without regard to whether or not such goods...were involved in the [unfair trade practice]." 19 U.S.C. § 2411(a). Imposition of duties is specifically authorized, 19 U.S.C. § 2411(b) (2).

It appears that the procedural requirements of Section 301 have been met. In so concluding, it is important to recall that these two cases are very unusual. They were not developed in response to petitions, nor were these two cases USTR self-initiated investigations. The Japanese case arose from a GATT proceeding. The canned fruit case was the subject of a petition, but according to USTR all the action required of the President in response to a petition has long since been taken. The petition stage of the case is, according to USTR, concluded. These two cases fall under 19 U.S.C. § 2411(d), which authorizes the President to take action on his own motion. That section requires an opportunity for the presentation of views. I contacted USTR General Counsel who advised that the requirement had been met through public hearings held by USTR.

Attachment

THE WHITE HOUSE

WASHINGTON

November 25, 1985

MEMORANDUM FOR DAVID L. CHEW
STAFF SECRETARY

FROM: FRED F. FIELDING *Orig. signed by FFF*
COUNSEL TO THE PRESIDENT

SUBJECT: Economic Policy Decision Memo:
Section 301 Proceedings Deadlines

Counsel's Office has reviewed the above-referenced decision memorandum, and finds no objection to it from a legal perspective.

FFF:JGR:aea 11/25/85
cc: FFFielding
JGRoberts
Subj
Chron

THE WHITE HOUSE

WASHINGTON

November 25, 1985

MEMORANDUM FOR DAVID L. CHEW
STAFF SECRETARY

FROM: FRED F. FIELDING
COUNSEL TO THE PRESIDENT

SUBJECT: Economic Policy Decision Memo:
Section 301 Proceedings Deadlines

Counsel's Office has reviewed the above-referenced decision memorandum, and finds no objection to it from a legal perspective.

FFF:JGR:aea 11/25/85
cc: FFFielding
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Subj
Chron

WHITE HOUSE CORRESPONDENCE TRACKING WORKSHEET

- O - OUTGOING
- H - INTERNAL
- I - INCOMING

Date Correspondence Received (YY/MM/DD) 1 1

Name of Correspondent: Ann Chew

MI Mail Report User Codes: (A) _____ (B) _____ (C) _____

Subject: Economic Policy Division memo:
Section 301 proceedings deadline

ROUTE TO:

ACTION

DISPOSITION

Office/Agency	(Staff Name)	Action Code	Tracking Date YY/MM/DD	Type of Response	Code	Completion Date YY/MM/DD
<u>CUITOLL</u>		ORIGINATOR	<u>8511125</u>			<u>1 1</u>
		Referral Note:				
<u>mat 18</u>		<u>A</u>	<u>8511125</u>		<u>S</u>	<u>8511125</u>
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		Referral Note:				

ACTION CODES:

- | | |
|---|--|
| A - Appropriate Action | I - Info Copy Only/No Action Necessary |
| C - Comment/Recommendation | R - Direct Reply w/Copy |
| D - Draft Response | S - For Signature |
| F - Furnish Fact Sheet
to be used as Enclosure | X - Interim Reply |

DISPOSITION CODES:

- | | |
|--------------------------|---------------|
| A - Answered | C - Completed |
| B - Non-Special Referral | S - Suspended |

FOR OUTGOING CORRESPONDENCE:

- Type of Response = Initials of Signer
- Code = "A"
- Completion Date = Date of Outgoing

Comments: _____

Keep this worksheet attached to the original incoming letter.
Send all routing updates to Central Reference (Room 75, OEOB).
Always return completed correspondence record to Central Files.
Refer questions about the correspondence tracking system to Central Reference, ext. 2590.

WHITE HOUSE STAFFING MEMORANDUM

DATE: 11/25/85 ACTION/CONCURRENCE/COMMENT DUE BY: 3:30 P.M. TODAY

SUBJECT: ECONOMIC POLICY DECISION MEMO: SECTION 301 PROCEEDINGS
DEADLINES

	ACTION FYI			ACTION FYI	
VICE PRESIDENT	<input type="checkbox"/>	<input checked="" type="checkbox"/>	OGLESBY	<input checked="" type="checkbox"/>	<input type="checkbox"/>
REGAN	<input type="checkbox"/>	<input checked="" type="checkbox"/>			
MILLER	<input checked="" type="checkbox"/>	<input type="checkbox"/>	RYAN	<input type="checkbox"/>	<input type="checkbox"/>
BUCHANAN	<input checked="" type="checkbox"/>	<input type="checkbox"/>	SPEAKES	<input type="checkbox"/>	<input checked="" type="checkbox"/>
CHAVEZ	<input type="checkbox"/>	<input type="checkbox"/>	SPRINKEL	<input type="checkbox"/>	<input type="checkbox"/>
CHEW	<input type="checkbox"/>	<input checked="" type="checkbox"/>	SVAHN	<input checked="" type="checkbox"/>	<input type="checkbox"/>
DANIELS	<input checked="" type="checkbox"/>	<input type="checkbox"/>	THOMAS	<input checked="" type="checkbox"/>	<input type="checkbox"/>
FIELDING	<input checked="" type="checkbox"/>	<input type="checkbox"/>	TUTTLE	<input type="checkbox"/>	<input type="checkbox"/>
HENKEL	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
HICKS	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
KINGON	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
LACY	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
McFARLANE	<input checked="" type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>

REMARKS:

Please provide your recommendation by 3:30 today. Thank you.

RESPONSE:

David L. Chew
 Staff Secretary
 Ext. 2702

THE WHITE HOUSE

WASHINGTON

November 21, 1985

MEMORANDUM FOR THE PRESIDENT

FROM: THE ECONOMIC POLICY COUNCIL

SUBJECT: Section 301 Proceedings Deadlines

On September 7 you directed the United States Trade Representative to initiate Section 301 unfair trade practice investigations of Korean barriers to insurance sales, Brazilian restrictions on micro-electronics imports, and Japanese restrictions against U.S. tobacco products. At the same time you also directed the United States Trade Representative to accelerate existing Section 301 proceedings against Japanese quotas on leather and leather footwear imports and European Community (EC) canned fruit subsidies by establishing a December 1 deadline for a satisfactory resolution of these proceedings.

Although the United States Trade Representative is engaged in on-going discussions with both the Japanese and EC, it is possible that neither case will be satisfactorily resolved by December 1. If a resolution is not achieved, you are authorized under Section 301 of the Trade Act to retaliate against Japanese and EC products. The retaliatory measures should approximate the value of damage inflicted upon U.S. products by the foreign practices.

In your September 7 Radio Address to the Nation, you "directed that a list be prepared of countermeasures which will be taken if these disputes are not resolved by [December 1]." The Economic Policy Council has developed recommendations for retaliation against the Japanese and EC unfair trading practices, in the event that our efforts to reach an agreement are unsuccessful. You should be aware that if we retaliate, it will be the first time we have ever done so against Japan. It is also likely that the EC will counter-retaliate.

However, the Economic Policy Council strongly believes that retaliation is necessary, both to respond to the unfair trade practices and to preserve the effectiveness of Section 301 as a tool for opening foreign markets to American products.

RECOMMENDATION

The Economic Policy Council unanimously recommends that you undertake the following retaliatory measures:

Japanese Leather and Leather Footwear Quotas

Impose a prohibitive tariff of 40 percent against \$277 million of Japanese products, including leather products, lawn mowers, air conditioners, spectacles and frames, fishing reels, optical fibers (not including plastic products), and toys.

_____ Approve

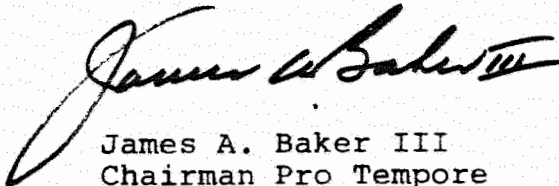
_____ Disapprove

EC Canned Fruit Subsidies

Impose prohibitive tariffs on canned fruit from the EC-10 until such time as Spain and Portugal benefit from the canned fruit subsidy program, at which time the tariffs will be applied to them also.

_____ Approve

_____ Disapprove


James A. Baker III
Chairman Pro Tempore

THE WHITE HOUSE

WASHINGTON

November 26, 1985

MEMORANDUM FOR FRED F. FIELDING

FROM: JOHN G. ROBERTS *JGR*

SUBJECT: Economic Policy Council Memorandum:
Presidential Trade Commission

David Chew has asked for comments by Monday, December 2, on a decision memorandum for the President from the Economic Policy Council. Two issues are presented: whether to establish a Presidential Commission on International Trade and Economic Policies, and, if so, whether to include members of Congress on the Commission.

The decision memorandum contemplates a purely advisory role for the Commission, so there are no legal obstacles to establishing it and no purely legal objections to appointing members of Congress to serve on it. In noting that we have no legal objections, however, I think we should point out that the Commission must be established under and must operate in accord with the Federal Advisory Committee Act (FACA). We should also note the more prominent requirements of FACA, including the balanced membership and open meetings requirements. We should insist that the Commission be "housed" in one of the departments and not the White House. Finally, since we often object to Congress creating mixed legislative-executive entities, even if purely advisory, we should weigh-in on the side of not appointing members of Congress to the Commission.

Attachment

THE WHITE HOUSE

WASHINGTON

November 26, 1985

MEMORANDUM FOR DAVID L. CHEW
STAFF SECRETARY

Orig. signed by FFF

FROM: FRED F. FIELDING
COUNSEL TO THE PRESIDENT

SUBJECT: Economic Policy Council Memorandum:
Presidential Trade Commission

I have reviewed the proposed decision memorandum for the President prepared by the Economic Policy Council, and have no objection to it going forward to the President. Two issues are presented: whether to establish a Presidential Commission on International Trade and Economic Policies, and, if so, whether to include members of Congress on the Commission.

The President may establish a Presidential Commission on International Trade and Economic Policies, provided that the Commission is restricted to a purely advisory role. Such an advisory committee, which would be established by Executive Order, would be subject to the provisions of the Federal Advisory Committee Act (FACA). Among other things, FACA requires advisory committees to have a "balanced membership" and generally to hold open meetings. The advisory committee, if created, should be housed for administrative purposes in one of the departments, not at the White House.

The possible appointment of members of Congress to the advisory committee does not raise constitutional concerns under the Appointments Clause, because the committee would be restricted to advisory functions. Nonetheless, we often object on policy grounds when Congress creates mixed legislative-executive entities, even if purely advisory, and I would hesitate to create such an entity ourselves in the absence of very persuasive policy or tactical reasons.

FFF:JGR:aea 11/26/85

cc: FFFielding
JGRoberts
Subj
Chron

THE WHITE HOUSE

WASHINGTON

November 26, 1985

MEMORANDUM FOR DAVID L. CHEW
STAFF SECRETARY

FROM: FRED F. FIELDING
COUNSEL TO THE PRESIDENT

SUBJECT: Economic Policy Council Memorandum:
Presidential Trade Commission

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FFF:JGR:aea 11/26/85

cc: FFFielding
JGRoberts
Subj
Chron

WHITE HOUSE CORRESPONDENCE TRACKING WORKSHEET

- O - OUTGOING
- H - INTERNAL
- I - INCOMING
Date Correspondence Received (YY/MM/DD) 1 1

Name of Correspondent: Mum Clew

MI Mail Report User Codes: (A) _____ (B) _____ (C) _____

Subject: Economic Policy Council memo: Presidential Trade Commission

ROUTE TO:		ACTION	DISPOSITION			
Office/Agency	(Staff Name)	Action Code	Tracking Date YY/MM/DD	Type of Response	Code	Completion Date YY/MM/DD
<u>CUMHOLL</u>		ORIGINATOR	<u>85, 11, 25</u>			<u>1 1</u>
		Referral Note:				
<u>erat 18</u>		<u>D</u>	<u>85, 11, 25</u>		<u>S</u>	<u>85, 12, 02</u>
		Referral Note:				
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		Referral Note:				
			<u>1 1</u>			<u>1 1</u>
		Referral Note:				
			<u>1 1</u>			<u>1 1</u>
		Referral Note:				

ACTION CODES:
 A - Appropriate Action
 C - Comment/Recommendation
 D - Draft Response
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Comments: _____

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WHITE HOUSE STAFFING MEMORANDUM

DATE: 11-25-85 ACTION/CONCURRENCE/COMMENT DUE BY: 12-2-85

SUBJECT: ECONOMIC POLICY COUNCIL MEMO: PRESIDENTIAL TRADE COMMISSION

	ACTION FYI			ACTION FYI	
VICE PRESIDENT	<input type="checkbox"/>	<input checked="" type="checkbox"/>	OGLESBY	<input checked="" type="checkbox"/>	<input type="checkbox"/>
REGAN	<input type="checkbox"/>	<input checked="" type="checkbox"/>			
MILLER	<input type="checkbox"/>	<input type="checkbox"/>	RYAN	<input type="checkbox"/>	<input type="checkbox"/>
BUCHANAN	<input checked="" type="checkbox"/>	<input type="checkbox"/>	SPEAKES	<input type="checkbox"/>	<input checked="" type="checkbox"/>
CHAVEZ	<input checked="" type="checkbox"/>	<input type="checkbox"/>	SPRINKEL	<input type="checkbox"/>	<input type="checkbox"/>
CHEW	<input type="checkbox"/>	<input checked="" type="checkbox"/>	SS	<input checked="" type="checkbox"/>	<input type="checkbox"/>
DANIELS	<input checked="" type="checkbox"/>	<input type="checkbox"/>	THOMAS	<input checked="" type="checkbox"/>	<input type="checkbox"/>
FIELDING	<input checked="" type="checkbox"/>	<input type="checkbox"/>	TUTTLE	<input type="checkbox"/>	<input type="checkbox"/>
HENKEL	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
HICKS	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
KINGON	<input checked="" type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
LACY	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
McFARLANE	<input checked="" type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>

REMARKS: Please provide any comments/recommendations by Monday, December 2nd. Thank you.

RESPONSE:

THE WHITE HOUSE

WASHINGTON

November 21, 1985

Revised 11/7

NOV 22 1985 9 01

MEMORANDUM FOR THE PRESIDENT

FROM: THE ECONOMIC POLICY COUNCIL

SUBJECT: Presidential Trade Commission

The Economic Policy Council has been exploring the idea of establishing a bipartisan Presidential commission on trade and international economics. Such a commission, if properly constituted, might be very helpful in developing a national consensus on trade and international economic policies and strengthening your position in favor of opening foreign markets, not closing ours. It might also be helpful in defusing protectionist political pressures when these reemerge in the Congress next year.

The House Republicans have included a proposal to establish such a commission in their trade initiative package and the Senate Democrats have also called for such a commission.

This memorandum outlines for you the major issues involved in creating such a commission, including whether members of Congress should be members of the commission, and offers several options for your consideration.

POLICY OBJECTIVES

The decision whether to establish a commission and how it might be structured should reflect the following objectives:

- o A commission should help build a broad market-oriented consensus in both the private sector and the Congress on future U.S. trade and international economic policy.
- o A commission should generate new ideas for improving the effectiveness of U.S. trade and international economic policy.
- o A commission should help develop support in the Congress for supporting free and fair trade legislation.

ESTABLISHING A COMMISSION

Issue: Should the Administration establish a Presidential commission on international trade and economics?

Option 1: Establish a commission.

Advantages

- o A commission could take a relatively objective view of trade policy and develop valuable ideas for improving the effectiveness of U.S. trade policy.
- o Because a commission analyzing trade issues over an extended period of time would probably arrive at the same conclusions drawn by the Administration, such a commission could help strengthen the Administration's position on trade legislative proposals.
- o A bipartisan commission could help generate greater support in the private sector and the Congress for the Administration's trade policy.

Option 2: Not establish a commission.

Advantage

- o Commission recommendations that conflict with Administration policy could increase pressures in the Congress for such proposals.

The Economic Policy Council unanimously recommends establishing such a commission.

PROPOSED STRUCTURE OF THE COMMISSION

If you decide to establish a commission, it could be structured along the following lines:

1. Title

The Economic Policy Council recommends that the commission be titled: The President's Commission on International Trade and Economic Policies.

2. Mandate

The mandate of the commission could be either general or specific. A general mandate would provide the commission the flexibility to adapt to changing conditions that could take place over the life of the commission. A specific mandate could focus the efforts of the commission on issues where new analysis would be most useful.

The Economic Policy Council recommends the following general mandate:

- o To identify the major trends and changes which are taking place in the international economy.

- o To assess the adequacy of U.S. trade laws in responding to the major trends taking place in the international economy and recommend changes, if any, to the U.S. trade laws.
- o To assess the efficacy of the GATT in meeting U.S. interests and in promoting a free and fair world trading system, and to evaluate the scope and coverage of the GATT and its flexibility in adapting to the dynamics of world trade.
- o To determine what can be done to ensure that U.S. economic policies, both domestic and international, as well as U.S. efforts in international fora, contribute as much as possible to growth and price stability in the U.S. and world economies.
- o To identify the displacements which are likely to occur within the U.S. economy in response to international trading trends and to make recommendations for policies to facilitate adjustment.

3. Timing

The timing of the final report of the commission should: (1) provide the commission sufficient time to analyze carefully complex issues; and (2) avoid plunging the commission or its recommendations into the 1986 Congressional elections.

The Economic Policy Council recommends that you direct the commission to issue a final report twelve months after its establishment. December 1986 is an achievable deadline.

4. Method of Establishing Commission

The Economic Policy Council recommends that you establish the commission through an executive order. The executive order would specify the commission's mandate, the date by which it should issue a final report, its membership, its staffing, its source of funding, and how it will report its recommendations.

5. Membership

The Economic Policy Council recommends that the commission include 15 to 21 private sector members from the following groups: management (high technology, services, basic manufacturing), labor, agriculture, consumers, and the academic community.

Issue: Should the commission include members of Congress in addition to the private sector members?

Option 1: Include six members of Congress (three Republicans and three Democrats) on the commission.

Advantages

- o Having members of Congress on the commission may help provide Congress reason for deferring action on the trade front until the commission makes its report.
- o Including the appropriate members of Congress in the commission would involve those individuals who can assist if the Administration decides to press for legislative initiatives.

Option 2: Include six members of Congress as advisors to the commission.

Advantages

- o This approach could still provide Congress reason for deferring action on the trade front yet allow the commission to take a more objective and less political perspective to trade issues.
- o Congressional interests in trade are not necessarily the same as ours. Having congressional advisors maintains their interest in the commission, yet keeps them at arm's length.

Option 3: Not include members of Congress on the commission, but consult with the Congress on the membership.

Advantages

- o Not including members of Congress in the commission would avoid the risk that these members would press for legislative action that the Administration may not want if our trade posture improves.
- o Congressional leaders on trade may prefer to support a report that is perceived as objective, rather than defend their role in developing its conclusions.

6. Chairman

The Economic Policy Council recommends that you appoint as chairman an individual with a national and international reputation with an appreciation of the government process and limitations.

Please note: The members of the Economic Policy Council feel strongly that the value of the Commission is fundamentally dependent upon the selection of a chairman who can both command appropriate respect and work closely and compatibly

with you and key members of your Administration -- while being consistent with the general approach to trade that you have already articulated.

DECISIONS

Issue 1: Should the Administration establish a presidential commission on international trade and economics?

_____ Establish a commission.

_____ Not establish a commission.

The Economic Policy Council unanimously recommends establishing such a commission.

Issue 2: Should the commission include members of Congress?

_____ Include six members of Congress (three Republicans and three Democrats) as members of the commission.

Supported by Agriculture, Commerce, Labor, USTR, NSC.

_____ Include six members of Congress as advisors to the commission.

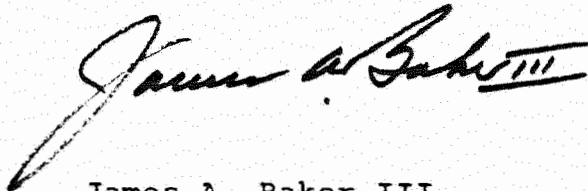
Supported by Treasury, OMB.

_____ Not include members of Congress as members of the commission, but consult with the Congress on the membership.

Supported by State, Transportation, CEA.

TIMING OF ANNOUNCEMENT OF DECISION

If you decide in favor of establishing a commission, it might be well to save that announcement -- and the announcement of the chairman -- for the State of the Union Address.



James A. Baker III
Chairman Pro Tempore