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DRAFT

A MEETING WITH INDIAN, INDUSTRY
AND GOVERNMENT LEADERS TO
STIMULATE BUSINESS INVESTMENT
ON INDIAN RESERVATIONS

BACKGROUND PAPER

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APRIL 5, 1982

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OBJECTIVE AND
OVERVIEW

I. Objectives and Overview

The objective of this meeting will be to open up a dialogue between industry and Indian leaders in order to stimulate business investments on Indian reservations. The Federal government's role will be to assist wherever possible to reduce regulations, streamline approval processes and introduce legislation which may be needed to foster this development and give added incentives to accelerate the process.

The meeting would be hosted by the President and would include about 15-20 private industry executives, 20-25 tribal leaders and government officials from several cognizant departments.

Several industry leaders would present results of their successful enterprises on reservations and would provide the examples for future business development. A structured discussion of several future initiatives and possible future projects would ensue.

An aggressive follow-up to the meeting would focus action items for Federal government, private companies and Indian tribes. A second meeting or series of meetings would be scheduled to keep the momentum going to spur industry investment.

BACKGROUND

II. Background

Over the last century Native Americans in the U.S. have felt the results of many ineffective policies which have encouraged tribes to become dependent on Federal government aid. Even with substantial natural resources and skillful human resources, tribes have developed slowly and today often have low levels of social services and a small economic base. New policies to foster more tribal autonomy, increase economic self-sufficiency and reduce regulatory barriers can create a healthy investment climate on reservations and stimulate new private business ventures.

New business investment can provide substantial benefits to private industry as well as to Indian tribes. Locating on Indian reservations often offers advantages to business. While many other parts of the southern and the western U.S. are beginning to encounter severe pains from rapid growth and increasing prices for land, labor and services, Indian reservations offer a good supply of strategically located available land, comparatively inexpensive labor and abundant natural resources. Businesses can construct facilities which have adequate and relatively inexpensive or no cost land. Water supplies may be available for some operations which would not be available in many nearby areas because of Indian water rights. Substantial mineral resources are present on Indian lands and offer excellent opportunities for future development. Indian

labor is usually plentiful and while training may be required for a number of skilled positions, Indian workers have proven to be capable, stable and hard-working in many areas where businesses have located. Labor is usually not unionized or expensive. Access to Indian areas has improved greatly in recent years. Road, rail and water access and electric power service is adequate in many areas. Local tax exemptions are available. Locating on or near reservations often has good public relations value and is an excellent affirmative action to assist a minority group. Many industries in "high rent" locations or those contemplating expansions, which can use both skilled and unskilled labor, may find the location on a reservation an attractive alternative.

The substantial benefits of locating new businesses on reservations is not without a unique set of problems which may discourage many in the business community.

Locating a new facility in an unfamiliar area is always a challenge and on an Indian Reservation there are a wide variety of risks and uncertainties. Some of these are:

The Extent of Tribal Commitment to the Business.

Many tribal leaders do not "sell" their reservation the way businesses are used to being "sold" by State and local jurisdictions looking for new industries. There is some times an apparent diversity of opinion among tribal leaders brought about disagreement over development versus preservation of traditional customs.

Because of a long history of business propositions which have been unfavorable to Indians, tribal leaders are understandably cautious, and negotiations on new agreements are likely to be protracted. This is further complicated by changes in attitude toward development which may occur when new tribal leaders are elected.

Legal Status of the New Business. Because tribes have sovereignty over their land, it is often not clear what, if any, recourse would be available to a business if an agreement was violated. The tax status of the venture may also be difficult to determine because of the web of state, local, Federal and tribal tax laws which may apply. One source of legal recourse--tribal courts--may be suspect to businesses, since the fairness of decisions has been questioned in some instances.

Operations Problems. Operating in an often remote location with a labor force which may not have proper training and experience may present problems. High skill-level, supervisory and management positions may initially be difficult to fill on reservations. Indian workers have been shown to be excellent employees once they are familiar with their jobs and job requirements. However, managers and supervisors without knowledge of Indian customs and styles

may be frustrated with labor practices. Other operating problems, like being remote from suppliers, repair services and markets for goods may be unattractive.

Economic and Social Conditions on the Reservation.

When locating new facilities, businesses usually bring in a core of management and skilled workers to start-up and initially run the operation. Many Indian reservations or surrounding areas offer a lifestyle which is, at first, alien to these company workers. Housing, schools, medical facilities, cultural activities and other personal services on or near reservations may be substantially different from that to which they are accustomed.

Different Cultural Values. Tradition and religious concerns at the grassroots level may be different than that portrayed by tribal leaders. Thus, when a company begins to deal with Indian workers, they may be surprised to find different attitudes and reactions than they would usually expect. Unless the company has knowledge of cultural values of the tribe, it may be insensitive to the unique needs of the people.

Sources of Capital. Businesses are not likely to spend large amounts of equity funds on a facility located and operated in an unfamiliar environment.

The legal uncertainties and the questionable ability to recover capital investments or other collateral, discourages financing. Thus, finding sources of capital for new business ventures on reservations may be more formidable than for other locations.

Carefully prepared initiatives by government, industry and tribal leaders, however, can, to some great degree, overcome these uncertainties and allow substantial benefits to those who invest on reservations.

MEETING STRUCTURE

III. Structure of the Meeting

The meeting will be a one day working session with 15-20 industry executives, 20-25 Indian leaders, about 3 Indian organization leaders and 10-15 government agency and White House officials. It is tentatively to be held in the Treaty Room of the Old Executive Office Building in Washington. The meeting should begin with introductory remarks by a high government official, presentations by several industry leaders on their successful business operations with Indians, and thoughts of several Indian leaders on their plans and concerns for economic self-sufficiency. A general discussion session would follow with the objective of recommending the appropriate steps to take--such as required incentives. The discussion would be focused as needed with the aim toward achieving consensus on particular issues and firm action items which could result in near term benefits. Advance discussions with separate parties may be required in order to ensure that general (or specific) commitments be made at the meeting.

The appearance of the President to speak briefly during the meeting would greatly improve the likelihood of successful results and immediate agreements.

PARTICIPANTS

IV. Participants

Participants would include:

- o Leaders from Indian tribes who would have interest in economic development;
- o Industry executives who are planning to build new facilities or expand existing facilities;
- o Industry leaders which have successfully operated businesses on or near reservations;
- o Representatives of Indian organizations and industry associations;
- o Government officials from agencies having responsibilities for Indian affairs;
- o White House officials.

DISCUSSION TOPICS

V. Topics for Discussion

After general discussion of the merits of improving the business investment climate on reservations the participants could focus on specific initiatives which would accomplish this objective. Some possible initiatives are:

- o Develop a Uniform Business Code which would be adopted by each Native American Tribe and would establish a framework for how business would function on reservations.
- o Indian Tribes would offer special incentives and provide separate areas on reservations, (can be tied into the Enterprise Zone concept), which would not be subject to many of the sovereignty provisions so as to allow outside legal remedies to contracts and agreements affecting these areas. The areas, however, would continue to remain part of the land held in trust for the Tribe.
- o Create a separate financial institution(s) to provide for investment decisions on reservations. The institutions could assist in making decisions on operations of the business, and once initial agreements with tribal leaders were signed, the institution could affect future business direction.
- o Support legislation to all Indian tribes to issue tax-exempt securities.

- o Create a national source of investment funds which might draw on existing federal loan sources and monies held in trust for Indian tribes. This would supplement private sources of funds and could be used to represent Indian participation in certain joint business ventures.
- o Provide favorable tax credits and financial incentives for business investment on reservations.
- o Streamline federal, state and local program approval processes so that ancillary and support services can be developed quickly. This would include training funds, medical, health and educational services, etc.
- o Conduct a comprehensive inventory of buildings, equipment, materials, manpower, land, water and mineral resources available on Indian lands, and develop a system of information so that a larger segment of the business community can evaluate the opportunities and possibilities of locating on Indian reservations.
- o Provide funds for training, especially in areas of management and specialized skills. Training might be better started off the reservation or on another reservation.
- o Develop incentives for highly skilled and management trained Indians, many of whom do not now live on reservations, to become involved with these new business ventures on reservations. This could include equity shares, profit sharing, retirement plans, medical benefits, etc.

- o Facilitate the utilization of "Buy Indian" or other Indian preference contracts.
- o Develop model joint agreements and descriptions of a process to follow with procedures and timetables to let both business and tribal leaders know exactly what will transpire as an agreement is made and a business is started.
- o Design and implement a series of business projects with an ad hoc advisory committee of business and Indian leaders to act as pilots for future projects designed to achieve economic self-sufficiency. Document the process of each project and publicize the results as they unfold.

DESIRED
ACCOMPLISHMENTS

VI. Desired Accomplishments

- o Outline an agenda for what business, Indian tribes and the Federal government will do to increase private investment on reservations and reduce government barriers to development.
- o Identify several specific projects and obtain general commitments from all parties to immediately pursue their implementation.
- o Endorse initiatives which would offer the promise of accomplishing the desired objectives of Indian economic development.

PROGRESS TO
DATE

VII. Progress to Date

- o Potential participants have been identified.
- o Five companies with successful Indian operations have been contacted and, if requested, would be willing to give presentations at the meeting.
- o Possible initiatives have been identified.
- o A short statement of Indian policy has been drafted and discussed with the Bureau of Indian Affairs (DOI) and the Administration for Native Americans (HHS).
- o A background paper for the meeting has been prepared.
- o Details about the meeting which need to be resolved have been identified.

NEXT STEPS

VIII. Details to be Resolved About the Meeting

Meeting Time and Place

- o When can a specific date for the meeting be determined?
- o Is the meeting place certain?
- o What kind of advance arrangements are needed?

Participants

- o Who should be invited? Should the group be comprehensive and potentially argumentative or representative of a smaller slice of industry and tribal groups but more likely to achieve consensus?
- o How many participants from each group?
- o Who will handle invitations (letters, phone calls, etc.)?
- o Should any State or local government officials be included?
- o Should there be an offer to pay travel expenses?

Materials for Meeting

- o Should there be discussion or talking papers for the meeting?
- o Are other materials, including visuals, needed to focus the discussions?

Pre-Meeting Discussions

- o Should there be pre-briefings or meetings to discuss presentations by various parties?
- o What kind of resolutions on various issues should be attempted before the meeting? If these are undertaken, who should be involved?

Staff Support

- o Who will provide the staff support for each of these items?

THE WHITE HOUSE

WASHINGTON

April 5, 1982

MEMORANDUM

TO: Ken Smith
Assistant Secretary of Interior
Indian Affairs

FROM: Morton Blackwell

SUBJECT: Indian Policy Statement

I sense a growing need for action on our project to develop an Administration policy statement regarding Indian affairs.

We need to have a meeting with the President for major Indian leaders. The promulgation of the policy statement would, of course, be the ideal time for such a meeting. I would appreciate your letting me know your current time table for a final product.

Enclosed is a proposal from Vince Lachelli of Louis C. Kramp & Associates which I urge you to send to those who are working on the policy statement draft.

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Louis C. Kramp & Associates

1919 PENNSYLVANIA AVENUE, N.W.
WASHINGTON, D.C. 20006
(202) 785-4954

March 3, 1982

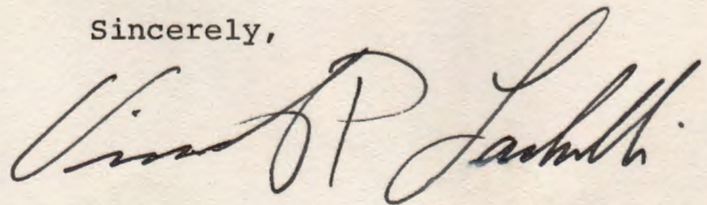
The Honorable Morton Blackwell
Special Assistant to the President
for Public Liaison
The White House
Washington, D.C. 20500

Dear Mr. Blackwell:

Attached is a description of an approach to Native American Economic development. The proposed strategy is to work with the private sector and Indian communities to facilitate business development on reservations in order to achieve economic self-sufficiency of Indian tribes and reduction in Federal involvement.

We would look forward to your feelings and counsel on this matter.

Sincerely,



March 3, 1982

AN APPROACH TO NATIVE AMERICAN
ECONOMIC DEVELOPMENT

The greatness of America lies in the ingenuity of our people, the strengths of our institutions, in our willingness to work together to meet the Nation's needs.

The Administration seeks to build on this special heritage, to encourage still greater contributions of voluntary effort and personal involvement, and to form a strong and creative partnership between the private sector and its public servants for the economic and social progress of America.

Native American leaders share the President's concern for their peoples, whom are affected by the fundamental change now occurring in the servicing of Federal programs.

The problems which prohibit Native American peoples from attaining their primary goals of self-sufficiency are well understood and acknowledged. Their desire is entirely consistent with this Administration's stated policy of reduced Federal spending and long-range goal of decentralization. We must, therefore, assist tribes in preparing the way to self-sufficiency and diminished dependence on Federal aid.

New or amended legislation would accomplish much, simply by diminishing and removing existing barriers that have long held economic development on Indian reservations at the barest level. And it would give economic utility to the tribes treaty insured water rights and enable them finally to capitalize on the development of their natural resources.

A plan to accomplish these ends would provide special incentives for private sector investment which will encourage spin-off industry and businesses owned by Native Americans, and their retention of revenues for reinvestment to new ventures and social programs.

Ideally, this assistance would come not in the form of Federal outlays at present or even higher levels, but rather through new legislation and policies which will provide for added incentives to the private sector, further complimenting the free enterprise zones currently proposed on Indian reservations.

The following represents an attempt to provide a solution to the lack of economic and social self-sufficiency as related to Native Americans. The approach is consistent with this Administration's policy of private sector involvement in the perpetuation of this nation's economy.

Discussion of the Problem

For the last several years the American Indian has experimented with different approaches and ways and means in which to create an economic base for its future generations. With very few exceptions, these efforts have resulted in failure. These failures in great part can be attributed to culture, religious beliefs, traditional values, government and, more specifically, the differing concepts of business. But yet it is not difficult to point to many past and traditional economic accomplishments by the American Indian. These inherent accomplishments have occurred through inter-tribal relations and their own perception of business and the resulting products of those businesses.

Therefore, it must be assumed that the American Indian in his own way does possess a certain expertise which caused his traditional business and economy to thrive and succeed. How, then, does one integrate this special kind of knowledge with the more conventional and acceptable business standards and knowledge of the non-Indian business world?

Each Tribe possesses, adheres and clings to its own cultural, traditional and religious values, these values are extremely varied in context from Tribe to Tribe. The single most common value amongst all Tribes is land - as it represents the very essence of life itself, for the land and how it is used is determined by the cultural and traditional values of that Tribe. To illustrate this point, some Tribes would entertain the implementation of manufacturing facilities on their lands, but would not allow any industry which is perceived to produce war material. The above example is simple in context, yet it attempts to demonstrate the unique feelings and thoughts of a people.

Approach to the Problem

Discussion with several Tribal leaders and traditional Medicine Men have shown that if Tribal values are considered and incorporated into overall economic development activity that Indian Tribes would commit resources and would adopt Tribal legislation to provide the incentive for business development. In order to accomplish this we must:

- Identify, analyze and avoid problems that have occurred in the past and which are still prevalent today which result from very different attitudes toward business.
- Create an environment of understanding and communication between the business world and the tribal decision-makers.
- Create an air of understanding that reliance on continued public assistance is not necessary or useful.
- Through self-help, cooperative ventures and other common vehicles, establish conditions that may be more attractive, acceptable and permanent to the Indian business community and private sector.
- Develop a special emphasis on training, education and on-the-job training which will evolve into a useful and positive tool for both Indian and non-Indian business.
- Incorporate into future Indian businesses the most important attribute which is prevalent in the traditional products of the American Indian today and in the past, - i.e., pride, excellence and uniqueness in what he produces or creates.

In order to accomplish these objectives, the American Indian must be prepared to commit parts of their resources and display a willingness to compromise certain cultural and traditional positions and the non-Indian private sector must also be willing to compromise certain conventional business practices. The resulting benefit will be the creation of a business environment conducive to both Indian and non-Indian business.

Specific Recommendations

- Identify opportunities for Indian business development. Prepare studies to determine (1) industries and/or business that would contribute to a long term stable economic impact and stable growth on reservations, and (2) private business that would support these industries through their resources. Establish a Tribal resource data base through the conducting of a resource inventory containing i.e., manpower, facilities, natural resources, equipment, transportation, etc. Develop models of these industries and private business which will reflect all of the imperative financial, managerial, production, marketing, traditional and cultural elements of that particular industry or business.
- Develop a legislative package. Prepare legislation, or appropriate amendments, that will allow non-Indian private sector business to work with Indian private sector business, and further to provide unique incentives to the private sector to accomplish this. For example, amend H.R. 3824 and S. 1310 which create Free Enterprise Zones. Develop an Indian Uniform Business Code which will incorporate safeguards for Trust Responsibilities, Sovereignty, Capital and Investment and implement through local or tribal governments.
- Work with Indian tribes to demonstrate business development. Seek out and develop sources of private venture capital based upon the new relationship of (Tribal Government to Business) as would be facilitated by the Indian Uniform Business Code. Develop joint venture concepts and model projects and approach business and industry with new and improved incentives allowable under Tribal Government legislation and/or the Free Enterprise Zone incentive if approved. Develop a comprehensive educational/training program in conjunction with the private sector which will address all elements of business management, finance, marketing, public relations, personnel, etc.
- Create a plan to implement and monitor the development and continuance of business and industry. Maintain tribal awareness of long range economic development potential. Continue to survey progress, interests and attitudes with a view to maintaining active tribal interests.

This approach would clearly enhance the perception that the Federal government is actively addressing its trust responsibilities while adhering, in a clearly demonstrable manner, to the Native American's rights of tribal sovereignty. In addition it will give substantial credibility to the Administration's economic policies, showing that they can provide workable solutions to this Nation's current economic problems.

INDIAN LAND AREAS

GENERAL



U. S. Department of the Interior
Bureau of Indian Affairs

For sale by the Superintendent of Documents
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