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THE WHITE HOUSE

WASHINGTON

December 1, 1982

MEMORANDUM FOR FRED F. FIELDING

FROM: JOHN G. ROBERTS *JGR*

SUBJECT: Cabinet Council on Commerce and
Trade: Research and Development

Richard Darman has requested comments by December 3 on an issue paper prepared by the Office of Science and Technology Policy for the Cabinet Council on Commerce and Trade. The issue addressed is whether U.S. research and development is adequate in quality, quantity, and direction to respond to high-technology challenges from abroad. After outlining the dwindling of American technological superiority in the past decade, the paper concludes with three options for consideration during the FY-84 budget process: (1) maintain modest growth in basic research while reducing support for development and applied research; (2) introduce substantial increases in basic research, focused on areas of most benefit to industry and defense, while reducing support for development and applied research; or (3) introduce substantial increases in all research and development, basic and applied. This office does not have any particular interest in the level or allocation of funding for research and development, and should therefore not express a preference for any of the proposed options.

The general question of the high-technology challenge from abroad, however, implicates several significant legal issues. Export control legislation governs foreign dissemination of the most sensitive technology. Laws protecting proprietary technology can also affect the spread of American technology abroad, as evidenced by the highly-publicized Hitachi-IBM case. While this latter type of prosecution can slow the flow of American technology overseas, it is critical to the integrity of the justice system that such prosecutions be seen as pure law enforcement initiatives and not efforts to attain foreign policy or trade objectives.

Legal implications are also raised by joint research and development ventures by U.S. companies. The OSTP paper notes that such ventures "may well need to be less constrained" to permit effective competition with foreign government-industry partnerships. While the Antitrust Division is currently

reviewing the law to determine if it unduly restricts joint research and development efforts, it is unlikely that the Division will favor any exemption from the antitrust laws for research and development activities.

None of these legal issues, however, are directly presented by the options proposed in the OSTP paper, which simply concerns funding levels. I have accordingly prepared a response to Darman noting that this office has no legal objections to any of the proposed options and no comments on the level or allocation of research and development funding.

Attachment

THE WHITE HOUSE
WASHINGTON

December 1, 1982

MEMORANDUM FOR RICHARD G. DARMAN
ASSISTANT TO THE PRESIDENT

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

SUBJECT: Cabinet Council on Commerce and
Trade: Research and Development

This Office has reviewed the paper on research and development prepared by the Office of Science and Technology Policy for the Cabinet Council on Commerce and Trade. No legal issues are directly presented by the policy options proposed in that paper. Those options concern the level and allocation of funding for research and development, on which this office expresses no view.

FFF:JGR:aw 12/1/82

cc: FFFielding
JGRoberts
Subj.
Chron

THE WHITE HOUSE

WASHINGTON

December 1, 1982

MEMORANDUM FOR RICHARD G. DARMAN
ASSISTANT TO THE PRESIDENT

FROM: FRED F. FIELDING
COUNSEL TO THE PRESIDENT

SUBJECT: Cabinet Council on Commerce and
Trade: Research and Development

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FFF:JGR:aw 12/1/82

cc: FFFielding
JGRoberts
Subj.
Chron

WHITE HOUSE CORRESPONDENCE TRACKING WORKSHEET

☐ O - OUTGOING☐ H - INTERNAL☐ I - INCOMINGDate Correspondence
Received (YY/MM/DD) 1/1Name of Correspondent: Richard G. Harman☐ MI Mail Report

User Codes: (A) _____ (B) _____ (C) _____

Subject: CCT: Research and Development
(CM 323)**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>CW Holland</u>		ORIGINATOR	<u>8211129</u>			<u>1/1</u>
<u>CUAT18</u>		Referral Note: <u>D</u>	<u>8211129</u>		<u>S</u>	<u>8212103</u>
		Referral Note:				
			<u>1/1</u>			<u>1/1</u>
		Referral Note:				
			<u>1/1</u>			<u>1/1</u>
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ACTION CODES:

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I - Info Copy Only/No Action Necessary
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DISPOSITION CODES:

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Type of Response = Initials of Signer
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Roberts

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WHITE HOUSE STAFFING MEMORANDUM

DATE: Nov. 27, 1982 ACTION/CONCURRENCE/COMMENT DUE BY: December 3, 1982

SUBJECT: CCCT: Research and Development (CM 323)

	ACTION	FYI		ACTION	FYI
VICE PRESIDENT	☐	☐	FULLER	☐	☐
MEESE	☐	☐	GERGEN	☐	☐
BAKER	☐	☐	HARPER	☐	☐
DEAVER	☐	☐	JENKINS	☐	☐
STOCKMAN	☐	☐	MURPHY	☐	☐
CLARK	☐	☐	ROLLINS	☐	☐
DARMAN	☐ P	☒ SS	WILLIAMSON	☒	☐
DOLE	☒	☐	VON DAMM	☐	☐
DUBERSTEIN	☒	☐	BRADY/SPEAKES	☐	☐
FELDSTEIN	☐	☐	ROGERS	☐	☐
FIELDING	☒	☐	_____	☐	☐

Remarks:

Please forward comments to my office by December 3, 1982.

Thank you.

Richard G. Darman
Assistant to the President
(x2702)

Response:

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF SCIENCE AND TECHNOLOGY POLICY
WASHINGTON, D.C. 20500

U.S. RESEARCH AND DEVELOPMENT

The Issue:

Is U.S. research and development, both federal and industrial, adequate in quality, quantity, and direction to permit this nation to respond to high-technology challenges from abroad?

Background:

High-technology industries are perceived increasingly as a major source of economic growth and new jobs, not only by the United States but by Japan, Western Europe, and even by many of the developing nations. In addition, high-technology is essential to our defense, traditionally offering us the means to counter the numerical superiority of Soviet forces.

Prior to the decade of the 1970's, U.S. preeminence in science and in its application, technology, was essentially unchallenged. Recently, competition in the marketplace for consumer electronics, semiconductor components, air frames, robots, etc., as well as in high-technology manufacturing processes challenges our leadership. The most serious threat comes from Japan, where high-technology products and processes have fueled their rapid industrial growth. But Western Europe falls closely behind with Taiwan and even South Korea promising to join the front ranks in the future. The success of the United States in developing, following World War II, the world's greatest science enterprise and in applying it to industry has been an example for other nations to emulate.

Numerous discussions have focussed upon foreign industrial and trade policies that threaten free trade and the ability of nations such as ours, that espouse free enterprise, to compete successfully. The ability of the U.S. to respond to the new challenge to many of our traditionally stronger industries has also been raised, and the strength and vitality of our research

and development (R&D) enterprise is an important indicator of the future competitiveness of our high-technology industries. Not to be overlooked is the rapid improvement in Soviet military technology, challenging U.S. military capability on the ground, the sea, and in the air.

To retain perspective, overall U.S. leadership in R&D cannot be questioned. The total investment in R&D, both federal and industrial, equals the combined investment of Japan, West Germany, France, and the U.K. But as recently as 1970, we invested twice as much as did those same nations. So the threat arises from the relative rates of growth as well as from the ability to benefit from the investment in R&D.

The R&D picture in the United States is also changing rapidly, in response to the new competitive challenge. Although federal, non-military R&D has not been keeping pace with inflation, industrial R&D has been growing rapidly, nearly 16% for all U.S. industries in 1981, in spite of the economic climate. In addition, military R&D has grown substantially under the Reagan Administration, benefiting U.S. industry. The growth in industrial R&D, prompted by the intense international competition, began before the Reagan Administration and continues to grow even more rapidly. But to better understand the overall position of the U.S. in R&D, it is necessary to take a careful look at the nature of our R&D, its strengths as well as its weaknesses.

U.S. Research and Development:

Research and development span basic research, the pursuit of new knowledge, to development and demonstration, the pursuit of new products and new manufacturing processes. Basic research has traditionally been supported almost entirely by the federal government whereas development and demonstration are largely the purview of industry, except where the government is the customer, as in defense. Between basic research and development lies applied research, an area whose support is shared by government and industry. The development of modern electronics may serve to exemplify these essential distinctions. Breakthroughs in the fundamental understanding of the nature of solids, and semi-conducting metals in particular, occurred through federally funded basic research carried out over many years in U.S. universities and federal laboratories. It

prompted the invention, at Bell Laboratories, of the transistor. In turn, this application of knowledge to a new technology led to the computer as well as a vast scope of consumer, industrial, and defense related electronics.

Since World War II, the majority of the new knowledge that has served as the fuel for high-technology and technology-dependent industries was discovered in the United States. In addition to examples such as the transistor, laser, and the new biotechnology, further testimony to U.S. preeminence in basic science can be found in the distribution of Nobel Prizes; in the 1970's, nearly 70% of all Nobel award winning research was performed in the U.S. But our competitors have become better and better at introducing the fruits of new knowledge to the marketplace and, perhaps even more important, in improving the product and the processes for manufacturing it. In many areas of high-technology, considerations of product quality and price offer foreign industries an advantage.

If today our source of new knowledge remains strong but our ability to apply it challenged, then what avenues for improvement are available? The Cabinet Council on Commerce and Trade is examining trade policy, tax policy, and anti-trust and patent policies to identify unilateral burdens, if they exist, as well as potential federal stimuli to increased private sector investment in R&D. In particular, cooperative industrial R&D ventures may well need to be less constrained to permit diverse U.S. industries to compete with foreign government-industrial partnerships. Tax incentives, introduced under the Economic Recovery Tax Act (ERTA) have proved to benefit capital-intensive industries through provisions for accelerated capital depreciation while the benefit to high-technology industries has not yet been clearly demonstrated.

The intrinsic leverage of direct, federal R&D, also needs careful scrutiny. In the post-Sputnik era. the federal R&D investment grew markedly but its ability to serve clearly defined national needs has waned as priorities have changed and direction from government has languished. An intensive effort to address U.S. energy security following the 1973 Arab oil embargo served to further exacerbate the situation. A strong consensus exists, both in government and industry, that closer direction and better utilization of the federally

supported talent and facilities must be accomplished in order to meet the new challenges to our industry and defense.

In the first half of the Reagan Administration, action was taken to encourage industrial R&D, e.g. the ERTA, patent and anti-trust policies, and to work more closely with industry in directing and carrying out federal R&D. Efforts to create stronger industry-university partnerships and to force research in federal laboratories into better alignment with the needs of industry have begun, but are by no means accomplished. The objective has been to add the "pull" of industry to the "push" of government. There exists strong evidence that this movement is accelerating. For example, industrial investment in academic research will likely double in 1982 and 1983 over previous years. In addition to better direction, the Reagan Administration has sought to emphasize basic research, the source of new knowledge as well as new engineers and scientists, while reducing government involvement in the marketplace through development and demonstration activities, such as in synthetic fuel demonstration plants.

As the FY-84 federal budget evolves, the pressing question pertaining to the allocation of funds to R&D is whether existing policy should be maintained, accelerated, or altered to respond to new public emphasis on R&D, as espoused by the "Atari Democrats," who suggest massive increases in federal R&D to support economic growth and new jobs.

Summary:

The U.S. R&D enterprise leads the world in both quality and quantity, but this leadership is facing a new challenge. Trade, tax, as well as anti-trust and patent policies are being examined for their ability to stimulate more private sector investment in R&D. U.S. industrial investment in R&D is growing rapidly, nearly 16% in 1981, and exceeded the federal investment for the first time in 1980. Efforts to direct the federal R&D investment to serve better the long-term needs of industry and defense are underway. Among the means being used are promotion of stronger industry-university partnerships and redirection of research in federal laboratories. In allocating public funds, emphasis has

been placed upon basic research, the source of new knowledge and new talent, while funds for near-term development and demonstration, where industry's investment is expanding rapidly, has been diminished. While basic and defense related research has been increasing modestly, the overall federal investment in non-military R&D has been decreasing relative to inflation. Although demands of the market appear to be stimulating applied research and development in U.S. industry, basic research remains nearly totally in the hands of the federal government. This traditional bastion of the U.S. R&D enterprise, consuming slightly more than 25% of the total federal investment in non-military R&D, has long been the source of our qualitative superiority.

Options:

The basic options that are under consideration during preparation of the FY-84 budget will include:

1. Maintaining modest growth in basic research, while continuing to reduce support for development and near-term applied research activities.
2. Introducing substantial increases (5-10% real growth) in basic research, emphasizing those disciplines most likely to benefit industry and defense as well as the training of new scientists and engineers, while continuing to reduce support for development and near-term applied research.
3. Substantially increasing all civilian R&D, encompassing basic and applied research as well as development, to assist U.S. industry in meeting the challenge from abroad in high-technology.

THE WHITE HOUSE
WASHINGTON

December 15, 1982

MEMORANDUM FOR FRED F. FIELDING

FROM: JOHN G. ROBERTS *JGR*
SUBJECT: Trade Strategy Issue Papers

Richard Darman has requested comments by today on a package of trade policy decision memoranda to be discussed with the President at a Cabinet Council meeting later this week. The memoranda seek decisions in six areas:

1. what action to take with respect to Domestic International Sales Corporation (DISC) tax deferrals to U.S. exporters, found to violate GATT.
2. whether to establish a trade adjustment assistance program for workers displaced by rising imports, as an alternative to protectionism, and what form such a program should take.
3. whether to develop a new trade adjustment assistance program for firms, again as an alternative to a protectionist response to rising imports.
4. whether to use agricultural subsidies to combat European Community subsidies, or sell excess stocks of dairy products for the same purpose.
5. what should the Eximbank's FY 1984 budget be, and how should it be allocated.
6. should the Internal Revenue Code be amended to authorize tax-exempt industrial revenue bonds to finance exports.

The cover memorandum from Darman asks only for "special concerns," noting that a first draft of the package was circulated on November 18. This office was not included in that earlier distribution, however, and the short turn-around time on this revised draft permits only limited review of the technical subject matter. This should be noted in the response to Darman. Because of the short turn-around, I called Mike Hathaway, Deputy General Counsel at USTR, and the Office of Legal Policy at the Justice Department -- both

familiar with this material -- to see if they would help flag any legal concerns. Neither indicated any legal objections to the policy choices.

Most of the issues involve policy options which would require legislation to implement. The legal issues which are raised, therefore, concern the content of proposed legislation, and the paper simply notes that required legislation will be developed. We can at this stage do little more than note that the legislative proposals will have to be carefully evaluated once a detailed draft is available. For example, one option on DISC calls for development of a revised DISC compatible with GATT: the proposal, when developed, will have to be checked to determine if it is in fact legal under GATT.

I have attached a proposed memorandum to Darman.

Attachment

THE WHITE HOUSE
WASHINGTON

December 15, 1982

MEMORANDUM FOR RICHARD G. DARMAN
ASSISTANT TO THE PRESIDENT

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

SUBJECT: U.S. Trade Strategy Issue Papers (Revised)

This office has received the above-referenced options package, to be discussed with the President at a Cabinet Council meeting later this week. We did not receive the earlier draft of this package, however, and the short turn-around time on the revised package has meant that our review has been a limited one. That review has been supplemented by inquiries with the Department of Justice and the Office of the General Counsel of USTR.

Based on our limited review, and the above-mentioned inquiries, this office has no legal objection to the consideration of the policy options presented in the paper. The options generally call for new legislation to be developed rather than actions to be taken within existing legal authority. Any such legislation which is developed will have to be carefully evaluated to guarantee that it will achieve its desired purpose (for example, making DISC legally compatible with GATT).

FFF:JGR:aw 12/15/82

cc: FFFielding
JGRoberts
Subj.
Chron

THE WHITE HOUSE

WASHINGTON

December 15, 1982

MEMORANDUM FOR RICHARD G. DARMAN
ASSISTANT TO THE PRESIDENT

FROM: FRED F. FIELDING
COUNSEL TO THE PRESIDENT

SUBJECT: U.S. Trade Strategy Issue Papers (Revised)

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FFF:JGR:aw 12/15/82

cc: FFFielding
JGRoberts
Subj.
Chron

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Name of Correspondent: Richard G. Naiman

☐ MI Mail Report

User Codes: (A) _____ (B) _____ (C) _____

Subject: U.S. Trade Strategy Issue Paper
(Revised)

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>WHalland</u>	ORIGINATOR	<u>821213</u>			<u>1 1</u>
<u>WAT18</u>	Referral Note: <u>D</u>	<u>821214</u>		<u>5</u>	<u>821215</u>
	Referral Note: _____	<u>1 1</u>			<u>1 1</u>
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	Referral Note: _____	<u>1 1</u>			<u>1 1</u>
	Referral Note: _____	<u>1 1</u>			<u>1 1</u>

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WHITE HOUSE STAFFING MEMORANDUM

DATE: 12/13/82 ACTION/CONCURRENCE/COMMENT DUE BY: 11/15/82

SUBJECT: U.S. TRADE STRATEGY ISSUE PAPERS (REVISED)

	ACTION	FYI		ACTION	FYI
VICE PRESIDENT	☐	☐	FULLER	☐	☒
MEESE	☐	☒	GERGEN	☒	☐
BAKER	☐	☒	HARPER	☒	☐
DEAVER	☐	☒	JENKINS	☐	☐
STOCKMAN	☒	☐	MURPHY	☐	☐
CLARK	☒	☐	ROLLINS	☒	☐
DARMAN	☐ P	☒ SS	WILLIAMSON	☒	☐
DOLE	☒	☐	VON DAMM	☐	☐
DUBERSTEIN	☒	☐	BRADY/SPEAKES	☐	☐
FELDSTEIN	☒	☐	ROGERS	☐	☐
FIELDING	☒	☐		☐	☐

Remarks:

This options package will be discussed with the President at a Cabinet Council meeting later this week. If you have any special concerns, please let me know.

(A first draft of this package was distributed to you on November 18.)

Richard G. Darman
Assistant to the President
(x2702)

Response:

THE UNITED STATES TRADE REPRESENTATIVE
WASHINGTON
20506

December 9, 1982

MEMORANDUM FOR THE PRESIDENT

FROM: William E. Brock

Attached are revised decision memoranda on key elements of a possible trade policy package. All of these memoranda raise budgetary issues which need to be decided before the budget is put to bed. I will hold further discussions on the other elements of such a trade policy package in the Trade Policy Committee and will forward any recommendations to you in the near future.

Attachment

DISC

ISSUE

What amendment should the Administration propose to the Domestic International Sales Corporation (DISC) legislation to address the finding of a GATT panel that DISC is inconsistent with the GATT.

BACKGROUND

The DISC, which provides a tax deferral benefit to U.S. exporters, has been under attack in the GATT as an illegal subsidy and has become a serious irritant to U.S.-EC trade relations. In order to remove this irritant, the U.S. announced at the October 1 GATT Council meeting that it would propose to the next Congress an amendment to DISC designed to make it clearly compatible with the GATT rules.

OPTIONS

1. The Administration should propose a replacement for DISC which complies with GATT and which leaves the taxation of export income unchanged (to be developed by Commerce, Treasury and USTR).

Advantages

- DISC provides for deferral of taxes on export income of U.S. companies which approximates the tax treatment of foreign exporters by their governments.
- Eliminating or reducing DISC benefits would raise taxes on exporters. This would be disruptive to established commercial practices and require adjustment by the export community to the change.
- Taxes imposed upon U.S. exporters have already been raised through the 15 percent cut in DISC benefits under the 1982 TEFRA package.
- The U.S. business community strongly supports DISC. Repealing DISC without a replacement would be severely criticized.

Disadvantages

- A general export incentive such as DISC does not increase production and employment. Rather, it shifts production and employment to export industries from import-competing industries (such as the auto industry).

- A GATT-legal alternative to DISC would necessitate the use of tax havens, requiring that U.S. exporters locate capital and employ labor outside the United States.
- Results in the loss of \$1.5 billion in tax revenue that the Treasury would collect if the DISC were eliminated.

SUPPORT USTR, Commerce, Agriculture, State and Energy.

2. Phase out DISC over a five-year period with no taxation of accumulated DISC deferred income.

Advantages

- A general export incentive such as DISC does not increase production or employment for the U.S. as a whole. Employment is increased in export industries, but reduced elsewhere, particularly in import competing industries (such as the auto industry).
- A GATT legal alternative to DISC would necessitate the use of tax havens, requiring U.S. exporters to locate capital and employ labor outside the U.S.
- Phasing out DISC would yield approximately \$1.5 billion in extra tax revenues annually that could be used to reduce the deficit.

Disadvantages

- Increases the tax burden on U.S. exporters.
- Results in a greater tax burden on U.S. exporters than is being levied on their foreign competitors.
- Would be severely criticized by the business community and its representatives in Congress.

SUPPORT OMB, CEA.

3. Phase out DISC (Option 2) and replace it with a flexible, reactive non-tax alternative (to be developed by Commerce, Treasury, and USTR).

Advantages

- A flexible alternative to DISC would be a positive force in achieving a more open trading system by providing leverage to counteract particularly offensive foreign subsidy practices.

- The budgetary cost of a non-tax alternative would be open, subject to annual review, and could be adjusted as foreign countries eliminate their subsidies.
- Such an alternative could be tailored to small and medium size exporters.
- This alternative would be less damaging to import competing industries than either DISC or a GATT legal tax alternative.

Disadvantages

- Increases the tax burden on U.S. exporters.
- Results in a greater tax burden on U.S. exporters than is being levied on their foreign competitors.
- Would be severely criticized by the business community and its representatives in Congress.

SUPPORT Treasury.

DECISION

- _____ 1. The Administration should propose a replacement for DISC which complies with GATT and which leaves the taxation of export income unchanged (to be developed by Commerce, Treasury and USTR).
- _____ 2. Phase out DISC over a five-year period with no taxation of accumulated DISC deferred income.
- _____ 3. Phase out DISC (Option 2) and replace it with a flexible, reactive non-tax alternative (to be developed by Commerce, Treasury, and USTR).

INDUSTRIAL ADJUSTMENT

ISSUE

Should we develop new adjustment assistance programs for workers and firms that would serve as alternatives to import relief and promote modernization and adjustment of trade-impacted workers and firms?

BACKGROUND

Many of America's basic manufacturing industries are experiencing high and rising unemployment and major financial losses which could result in significant bankruptcies. At the same time, imports are increasing in many of these same industries; Pressures for import protection are growing and may get out of control.

A trade adjustment assistance program for workers and firms could be developed as part of a broad Administration strategy to address these protectionist pressures and to help these groups adjust to changing competitive circumstances. These programs provide specific alternatives to import protection as a means of addressing the potentially negative pressures raised in public and in Congress for responding to increasing import competition. Many members of Congress seem to believe that the alternative of trade adjustment assistance for workers and firms is essential. These two programs can provide an easily-identifiable, clear alternative which the Administration can utilize as a policy tool to respond to increasing imports without closing our borders to the benefits of greater competition.

Moreover, U.S. law provides that the government grant import relief when industries are injured from increased foreign competition. Trade adjustment assistance can provide an alternative to import relief in such cases. It is likely that we will be faced by an increasing number of petitions for import relief over the coming months. If TAA is terminated, we could find ourselves under greater pressure to provide import relief in these instances.

TAA for both firms and workers has inherent inequities and inefficiencies that may not be resolvable. These programs would also increase government expenditures in a tight budgetary situation. This must be weighed against the benefits of those programs as alternatives to protection.

To the extent that the lack of adjustment is a key issue, across-the-board benefits to aid adjustment could provide a more efficient alternative to trade adjustment assistance. For example, general incentives for R&D and investment will help firms adjust and general retraining benefits could help all unemployed workers regardless of the cause of unemployment.

TRADE ADJUSTMENT ASSISTANCE FOR WORKERS

BACKGROUND

Trade Adjustment Assistance for workers has been in place in various forms since 1962. The program is due to expire, and the Department of Labor has proposed that the program be terminated. Instead, DOL supports concentrating on an overall effort to help displaced workers generally.

USTR, on the other hand, believes that the program should be maintained with modifications, in light of public and Congressional concern regarding the impact of import competition on our key industries. USTR sees trade adjustment assistance for workers as one element of the overall package designed to diffuse import protection in specific cases where industries can petition for import relief under U.S. law.

If it is agreed that trade adjustment assistance is desirable, one approach could be to modify the existing program to allow workers in an industry to seek trade adjustment assistance benefits by petitioning the International Trade Commission for a determination of whether increased imports contributed importantly to their job loss. If a determination is made on this basis, or if the ITC makes a determination that an industry has been seriously injured by imports in an import relief case, workers in that industry certified by their employers as being permanently displaced would be eligible for retraining and/or relocation support. Retraining could be provided through vouchers.

OPTIONS

1. The Administration should propose a TAA program for workers as part of our trade strategy initiative.

Advantages

- Provides an alternative to import relief when the ITC finds, under U.S. law, that imports are injuring a U.S. industry.
- Gives Congress, which is convinced TAA is critical, an alternative in resisting protectionist pressures on the Hill.
- Allows greater potential for trade liberalization, by providing a clearly identifiable program of adjustment benefits for those subsequently injured.
- Allows us to take the lead on an issue that Congress is almost certain to take up anyway.

Disadvantages

- Provides extra benefits just to trade-affected workers, while others experiencing equally or more severe structural unemployment are not aided. Conflicts with Administration policy to provide equitable assistance to all unemployed, without regard to cause of unemployment.
- High risk that in any TAA extension Congress could expand cash benefits, putting at risk significant budget savings realized in 1981 Reconciliation Act.
- If any TAA program we develop is judged insufficient on the Hill, it may not have the desired effect of preventing protectionist legislation.

SUPPORT USTR, USDA.

1.A. If it is agreed to continue a worker trade adjustment assistance program, the Administration should propose a \$170 million program for training, job search and relocation grants for displaced workers in industries certified by the ITC as being import-impacted.

Advantages

- Encourages workers to leave dying industries.
- Certifying on an industry, rather than a firm basis would significantly shorten the certification process, to speed flow of assistance to affected workers and to eliminate many current inequities.
- Provides clear alternative to import protection.
- Limits costs and ensures better use of benefits than the current program, by providing benefits only to those certified by former employers as being permanently displaced.

Disadvantages

- It may prove difficult to shorten the certification process without opening up TAA to workers for whom benefits were not intended, expanding costs without benefits.
- To maintain "contributed importantly" import test beyond FY 1983 is a reversal of Administration policy.
- The ITC might be deluged with petitions for TAA that it is not staffed to process.

- The proposal may not be deemed as sufficiently helpful to displaced workers so as to fend off protectionist pressures.

SUPPORT USTR, USDA.

2. The Administration should develop a beefed-up general policy for helping displaced workers which could be included as part of our political trade strategy initiative.

Advantages

- Assistance (training, job search, etc.) available immediately to displaced workers, without need to go to TAA certification process.
- Consistent with Administration policy of treating unemployed workers equitably, regardless of cause of unemployment.
- If sufficiently strengthened beyond the existing general job training program, we could assert that this new program was prompted by the need to better assist the trade-impacted.

Disadvantages

- Not limited to trade-affected workers; may not be as strong a bargaining chip when fighting off protectionist measures on the Hill or in individual import relief cases.
- No evidence government knows what jobs to train displaced workers for, or that government intervention can help dislocated workers.

SUPPORT Will depend on how final product looks.

3. The Administration should consider the problems of trade-impacted workers within the context of its general review within the CCEA of all structurally unemployed workers.

Advantages

- Permits decision on assistance for trade-affected workers to be made in context of consideration being given to the development of a new, general Administration policy on employment and training programs, designed to deal with problems of structural unemployment, of which trade is but one facet. Certain proposals under review could be of significant benefit to trade-impacted workers.

Disadvantages

- Increases the likelihood that the program would be a general one, rather than a special purpose TAA program.
- If no program is developed, there will be a major gap in our trade initiative.

SUPPORT Treasury, Labor, OMB, CEA.

DECISION

- _____ 1. The Administration should have a trade adjustment assistance program for workers as part of our trade strategy initiative.
 - _____ 1.A. The Administration should propose a \$170 million program for retraining trade-impacted workers.
 - _____ 1.B. USTR and the Department of Labor should be asked to develop an alternative program for trade-impacted workers.
- _____ 2. The Administration should develop a general program for displaced workers that would be part of our trade package.
- _____ 3. The Administration should make a decision on a more comprehensive program for displaced workers generally as part of the CCEA review.
- _____ 4. The Administration should terminate the worker Trade Adjustment Assistance program.

TRADE ADJUSTMENT ASSISTANCE FOR FIRMS

BACKGROUND

Trade Adjustment Assistance for firms is authorized by the Trade Act of 1974 to assist the adjustment of firms injured by import competition. The President's 1983 budget proposed termination of the program, although continuing resolutions have sustained the program. Commerce has not requested 1984 funding.

USTR believes that a trade adjustment assistance program for firms is needed as an alternative to import protection as a means of responding to pressures generated by firms experiencing heavy import competition. USTR acknowledges the deficiencies of the existing program, however, and would propose the need for a modified approach. Since the specific elements of such a program would need to be worked out, USTR would suggest that in the interim funding for the existing program be maintained at current levels of approximately \$28 million a year.

If special assistance is provided to import-impacted firms, however, this would favor certain firms over other firms facing adjustment problems for nontrade reasons.

OPTIONS

1. The Office of the U.S. Trade Representative and the Department of Commerce should develop a new trade adjustment assistance program for firms, reporting back to you within the next two months.

Advantages

- Provides an alternative to protectionist legislation.
- Provides an alternative to import protection when industry relief is sought under U.S. law.
- Provides a basis for further trade liberalization if the perception exists that those firms potentially hurt will be assisted.

Disadvantages

- Would be a reversal of current U.S. policy not to target special assistance to select groups. The Administration's macroeconomic policies should provide for all U.S. firms.
- TAA for firms can be described as giving money to losers, since import injury must be demonstrated by loss of sales. It will be difficult to assure that assistance made available addresses the impact of trade, as opposed to poor management, etc.

SUPPORT USTR, USDA.

2. The Administration should terminate Trade Adjustment Assistance for firms.

Advantages

- "Saves" \$27 million spent on current TAA program.
- Allows free market to determine the level of R&D expenditures.

Disadvantages

- Reduces the overall effectiveness of the trade package that we might be able to offer Congress to diffuse pressure for protectionist legislation.
- Eliminates an alternative to import protection in individual import relief cases.
- Delays adjustment to increased imports.

SUPPORT OMB, Commerce.

DECISION

- _____ 1. The Administration should develop a new trade adjustment assistance program for firms.
- _____ 2. The Administration should terminate Trade Adjustment Assistance for firms.

AGRICULTURAL EXPORT SUBSIDIES

ISSUE

Should the Administration propose an increase in agricultural export subsidies from \$175 million to \$900 million if the European Community (EC) continues to subsidize their agricultural exports? Should USDA sell excess dairy stocks in international markets?

BACKGROUND

The United States is virtually the only agricultural exporting country which adjusts its production as well as its prices to market conditions. In effect, U.S. farmers are forced to cut back production or compete against foreign governments, since most other governments provide incentives to production and export of their principal farm products, whether these incentives are in the form of direct export subsidies or other forms of government intervention. If the United States is not to accept a position of residual and shrinking supplier to the world market, this situation must be reversed. Because of the dominant position of the European Community in subsidized trade, progress in this area is possible only if the EC can be persuaded to temper its policies.

The EC subsidizes its agricultural sector by restricting imports and purchasing domestic production at artificially high prices. At these support prices, EC production exceeds consumption for many agricultural goods except fruits and vegetables. The EC now sells its excess production abroad at prices far below their domestic levels. The EC has become the world's second largest exporter of agricultural products (the U.S. is first), and has cut into U.S. sales in several third country markets. In 1982, the EC will spend \$6 billion, or half its budget for agricultural market support, on direct export subsidies for commercial agricultural exports. EC exports are predominantly high value products -- animal products and processed commodities -- which have the greatest potential market growth and job creation.

The U.S. has challenged EC subsidies of wheat flour, sugar, poultry, and pasta in the GATT. However, the GATT process is very slow, and the restrictions on agricultural export subsidies are much looser than for manufactured exports. EC subsidies may be found legal under current GATT rules.

The recently concluded GATT Ministerial was unable to impose any further international discipline on the use of export subsidies, due to objections by the European Community. The United States will once again bring the issue of export subsidies to the Community's attention when several Cabinet officials meet with their EC counterparts in Brussels on December 10. This meeting may well be the last opportunity

we have to resolve our bilateral trade frictions with the Community before we ourselves are forced into taking measures to protect our trade interests from unfair competition. If the December meetings fail to make meaningful progress toward resolving our bilateral agricultural trade frictions, the U.S. should:

OPTIONS

1. Create a war chest of up to \$975 million to counter EC agricultural subsidies (\$75 million of this would come from monies remaining under the export expansion provision of the 1982 Omnibus Budget Reconciliation Act). Money for this war chest would come from other USDA programs and would not result in increased budget outlays. USDA and USTR, along with other interested agencies, would choose the products and the purchasers to receive subsidies in order to ensure maximum effect in convincing the EC to lower its own subsidies.

Advantages

- Subsidized exports from the EC have displaced U.S. agricultural exports in several third country markets. Neither general negotiations nor specific challenges have been successful in persuading the EC to reduce these subsidies. Therefore, stronger measures are needed to protect U.S. interests and convince the EC to stop their unfair trade practices.
- Subsidizing U.S. agricultural exports will show our farmers that the Administration can defend their interests overseas.

Disadvantages

- The Administration has already decided to spend \$175 million on agricultural export subsidies. We should wait to see the results before raising the war chest to \$975 million.
- Additional U.S. subsidies may displace our unsubsidized sales in other markets, or further depress world prices. As the world's largest exporter of agricultural products, we stand to lose the most from many specific subsidies, and from a general trade war in this area.
- Reducing USDA spending on other programs to increase export subsidies will mean less aid for U.S. farmers in other areas. There are substantial costs to decreasing these other programs.
- It is not certain whether such subsidies would cause the EC to change its policies.

SUPPORT/OPPOSE

State, Treasury, Commerce, and USTR oppose this option until a comprehensive analysis is done of the impact such a program would have on world markets and on the U.S. domestic market. USDA supports the option.

2. Sell excess stocks of dairy products in international markets.

Advantage

- A well-designed program can cut into EC exports without harming other exporters such as New Zealand and without substantial benefits for the USSR.

Disadvantage

- Selling our excess dairy stock abroad will inevitably depress world prices for dairy products. As a major dairy importer, the USSR will benefit from our sales even if Wisconsin butter does not go directly to Russian plates.

SUPPORT/OPPOSE

Commerce, State, and Treasury oppose this option. Treasury feels that since the U.S. dairy program is isolated from market forces, export subsidies won't address a bilateral problem with the EC in this sector. Commerce, State, Treasury, and USTR feel that further impact analyses are necessary. They feel the proposal would be most damaging to New Zealand and the principal beneficiary of the sales would probably be the USSR, even if it is not U.S. dairy products that are sold there. USDA supports this option.

DECISION

1. Create a war chest of up to \$975 million to counter EC agricultural subsidies (\$75 million of this would come from monies remaining under the export expansion provision of the 1982 Omnibus Budget Reconciliation Act). Money for this war chest would come from other USDA programs and would not result in increased budget outlays. USDA and USTR, along with other interested agencies, would choose the products and the purchasers to receive subsidies in order to ensure maximum effect in convincing the EC to lower its own subsidies.
2. Sell excess stocks of dairy products in international markets.

EXPORT FINANCING

ISSUE

As part of the Administration's trade strategy initiative, should an increase in Eximbank's resources be sought? If so, what would be the appropriate program mix?

BACKGROUND

Our major trading partners provide assured financing and some provide subsidized financing for their exports. In recent years, U.S. exporters have lost some major sales because of these foreign credit subsidies. The return of interest rates to more normal levels and the Administration's negotiating success in reducing foreign credit subsidies should continue to reduce the financing problem. However, the export community is concerned that should there again be a significant gap between OECD minimum rates and U.S. market rates, they would be at a disadvantage in export markets. This could contribute to a significant erosion in public support for an open trading system.

OPTIONS

1. No increase in Eximbank's FY 1984 resources over FY 1983. An Eximbank budget of \$3.8 billion in direct credits and \$8.0 billion in guarantees and insurance.

Advantages

- Holds down government expenditures and credit budget consistent with Administration policy of restraining Federal credit absorption.
- Does not propose that the Bank's program be restructured on an entitlement-like basis, which options 2 through 4 would do.

Disadvantages

- Does not assure trade community that U.S. Government would neutralize increased foreign government export subsidies.
- Could result in lost export sales.

SUPPORT OMB.

2. If an increase is sought, an Eximbank budget of \$3.8 billion in direct credits and \$10 billion in guarantees and insurance. The Administration would publicly indicate its intention to seek supplemental direct credit authority if considered necessary.

Advantages

- Would respond to current commercial circumstances in which access to financing, rather than cost, is likely to be the predominant export finance problem.
- Would demonstrate to the U.S. business community the Administration's determination to support exports.
- Use of additional direct credit authority would be less costly to U.S. Government than interest subsidies on guaranteed loans proposed in Option 3.

Disadvantages

- Could increase USG demand on credit markets relative to Option 1.
- Commits Administration to seek supplemental budget authority if foreign credit subsidies again become a major problem.

SUPPORT Treasury.

3. An Eximbank budget of \$3.8 billion in direct credits and \$12 billion in guarantees and insurance. If foreign credit subsidies again become a significant problem, Eximbank could finance interest subsidies on up to \$3 billion in guaranteed loans by increasing its borrowings to cover the losses.

Advantages

- Would respond to current commercial circumstances in which access to financing, rather than cost, is likely to be the predominant export finance problem.
- Would demonstrate more strongly to U.S. business community the Administration's determination to support exports.
- Use of interest subsidy would have less current budget than additional direct credit authority.

Disadvantages

- Would be more costly than use of additional direct credits if option is exercised.
- Could increase USG demand on credit markets relative to Option 1.
- Would undermine discipline of Federal budget process because subsidized guaranteed loans are substituted for direct credits without Congressional review or appropriation.

4. An Eximbank budget of \$6.5 billion in direct credits and \$8.0 billion in guarantees and insurance.

Advantages

- Provide greatest assurance to U.S. business community that foreign credit subsidies will be neutralized.
- Less costly to U.S. Government than interest subsidy approach.
- Consistent with control and disclosure objectives of credit budget process.

Disadvantages

- Has greatest adverse initial budget impact and would result in greater budget outlays in the short to medium term than Options 1 and 3.
- Less ability and incentive to move toward a system of guaranteeing private credit.
- Could increase USG demand on credit markets relative to Option 1.

SUPPORT Eximbank, Commerce.

DECISION

- _____ 1. No increase in Eximbank's FY 1984 resources over FY 1983. An Eximbank budget of \$3.8 billion in direct credits and \$8.0 billion in guarantees and insurance.
- _____ 2. If an increase is sought, an Eximbank budget of \$3.8 billion in direct credits and \$10 billion in guarantees and insurance. The Administration would publicly indicate its intention to seek supplement direct credit authority if considered necessary.
- _____ 3. An Eximbank budget of \$3.8 billion in direct credits and \$12 billion in guarantees and insurance. If foreign credit subsidies again become a significant problem, Eximbank could finance interest subsidies on up to \$3 billion in guaranteed loans by increasing its borrowings to cover the losses.
- _____ 4. An Eximbank of \$6.5 billion in direct credits and \$8.0 billion in guarantees and insurance.

INDUSTRIAL REVENUE BONDS FOR EXPORTS

ISSUE

Should the Administration seek changes in the Internal Revenue Code that would authorize the use of tax-exempt industrial revenue bonds to finance exports?

BACKGROUND

A number of states are developing proposals for state export financing programs that would supplement the activities of the Eximbank. Some states are considering issuing tax-exempt bonds with which to create a revolving fund that could be used for export sales. If the terms of the financing were consistent with those of the OECD Export Credit Arrangement and the financing were not specifically directed toward exports but could be used for domestic sales as well, this approach would be consistent with our GATT obligations. To implement such a program, the Administration would have to seek changes in the Internal Revenue Code authorizing the use of tax-exempt bonds for financing exports.

Advantages

- Would supplement the resources of the Eximbank by ensuring access to financing, particularly for small and medium-sized businesses.
- Would ensure that some export sales that currently do not go forward are made.
- Would be perceived as Administration support for strong export policy.

Disadvantages

- Issuing tax-exempt bonds means a direct reduction in revenues to the Treasury; and, adding to already existing tax expenditures may make it more difficult to defend the 1983 personal tax reduction.
- Would be inconsistent with Administration efforts to ensure that export credit subsidies are selectively targeted as subsidized financing would be available and sought by exporters even if there was no foreign competition.
- Would contribute to further crowding out of private borrowing in the capital markets and further reduces benefits of tax-exempt financing for municipalities.

SUPPORT USTR, Commerce

CCCT ✓

MEMORANDUM

THE WHITE HOUSE
WASHINGTON

February 7, 1983

MEMORANDUM FOR FRED F. FIELDING

FROM: JOHN G. ROBERTS *JGR*
SUBJECT: Draft Decision Memo: Transfer of Civil Space
Remote Sensing Systems to the Private Sector

Richard Darman has requested comments by close of business February 8 on the above-referenced proposed decision memorandum for the President from the Cabinet Council on Commerce and Trade (CCCT). The memorandum asks the President to decide between transferring civil space weather and land satellites to the private sector (the unanimous choice of CCCT) and retaining government control of weather satellites while closing out the land satellites. While complex legal questions would arise in the course of implementing a decision to transfer control of the satellites to the private sector, including safeguarding national security and foreign policy interests, nothing precludes consideration of that option as a policy matter.

Attachment

THE WHITE HOUSE

WASHINGTON

February 7, 1983

MEMORANDUM FOR RICHARD G. DARMAN
ASSISTANT TO THE PRESIDENT

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

SUBJECT: Draft Decision Memo: Transfer of Civil Space
Remote Sensing Systems to the Private Sector

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

FFF:JGR:aw 2/7/83

cc: FFFielding
JGRoberts
Subj.
Chron

THE WHITE HOUSE

WASHINGTON

February 7, 1983

MEMORANDUM FOR RICHARD G. DARMAN
ASSISTANT TO THE PRESIDENT

FROM: FRED F. FIELDING
COUNSEL TO THE PRESIDENT

SUBJECT: Draft Decision Memo: Transfer of Civil Space
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Counsel's Office has reviewed the above-referenced draft decision memorandum and has no objection to it from a legal perspective.

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Chron

WHITE HOUSE CORRESPONDENCE TRACKING WORKSHEET

☐ O - OUTGOING☐ H - INTERNAL☐ I - INCOMINGDate Correspondence
Received (YY/MM/DD) 1 / 1Name of Correspondent: Richard G. Darman☐ MI Mail Report

User Codes: (A) _____ (B) _____ (C) _____

Subject: Draft Decision Memo: Transfer of Civil Space
Remote Sensing Systems to the Private Sector

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>W Holland</u>	ORIGINATOR	<u>83102104</u>			<u>1 / 1</u>
<u>WAT18</u>	Referral Note:	<u>83102104</u>			<u>5 83102108</u>
	Referral Note:	<u>1 / 1</u>			<u>1 / 1</u>
	Referral Note:	<u>1 / 1</u>			<u>1 / 1</u>
	Referral Note:	<u>1 / 1</u>			<u>1 / 1</u>
	Referral Note:	<u>1 / 1</u>			<u>1 / 1</u>

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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Always return completed correspondence record to Central Files.

Refer questions about the correspondence tracking system to Central Reference, ext. 2590.

WHITE HOUSE STAFFING MEMORANDUMDATE: February 4 ACTION/CONCURRENCE/COMMENT DUE BY: c.o.b. Tuesday, 2/8SUBJECT: DRAFT DECISION MEMO: TRANSFER OF CIVIL SPACE REMOTE SENSING
SYSTEMS TO THE PRIVATE SECTOR

	ACTION	FYI		ACTION	FYI
VICE PRESIDENT	☐	☐	FULLER	☐	☐
MEESE	☐	☐	GERGEN	☒	☐
BAKER	☐	☒	HARPER	☒	☐
DEAVER	☐	☒	JENKINS	☐	☐
STOCKMAN	☐	☐	MURPHY	☐	☐
CLARK	☒	☐	ROLLINS	☐	☐
DARMAN	☐ P	☒ SS	WILLIAMSON	☒	☐
DOLE	☐	☐	VON DAMM	☐	☐
DUBERSTEIN	☒	☐	BRADY/SPEAKES	☐	☐
FELDSTEIN	☐	☐	ROGERS	☐	☐
FIELDING 	☒	☐	<u> </u>	☐	☐

Remarks:

Please provide any comments/recommendations by Tuesday, February 8th.

Thank you.

Richard G. Darman
Assistant to the President
(x2702)Response:

THE WHITE HOUSE

WASHINGTON

January 25, 1983

MEMORANDUM FOR THE PRESIDENT

FROM: THE CABINET COUNCIL ON COMMERCE AND TRADE

SUBJECT: Transfer of the Civil Space Remote Sensing Systems
to the Private Sector

Issue

Should the Administration transfer to the private sector the civil operational land and weather satellite systems?

Background

The current U.S. program in operational civil space remote sensing consists of a single land satellite and four operational weather satellites in orbit. A number of private entities have expressed interest in assuming responsibility for portions of the civil space remote sensing system. Some firms are interested in the land satellite systems; another is interested in both the land and weather satellite systems.

Foreign governments have recognized the value of this technology. Civil space remote sensing systems are being advanced by France, Japan, the European Space Agency, India, Canada, the Federal Republic of Germany, and the Soviet Union. To date, only France has actually invested in a land remote sensing system (SPOT); others have invested only in weather systems.

There is agreement among all parties that a self-supporting, successful private venture or ventures can evolve in land, and weather. The Government provides a steady market for weather data. The value of land satellite data to the U.S. Government has not been rigorously established. Federal user agencies have been happy to use data now provided at subsidized costs, but, if required to pay the full cost of land satellite data, they indicate an intention to consider other means to meet their needs.

Other than Federal users, the land satellite data market has not grown as rapidly as it could have because of the inherent limitations on the Government in developing domestic and international markets. However, the market for land remote sensing data is growing and the long-term outlook appears promising, provided an aggressive private sector is given the opportunity to develop and expand the market base for this product.

The U.S. Government is currently spending more than \$14 billion per year on the civil and national defense space programs, of which nominally \$150-\$200 million is devoted to civil space remote sensing. The Administration's current budget includes funding for the long term operation and replacement of the civil weather satellite. For land remote sensing, the current policy is to continue with the two land satellites which were purchased prior to this Administration and are expected to last until 1988. Thus, the budget has only operating costs and does not include additional Federal funding to procure additional land satellites. The budget assumes that any future land remote sensing systems would have to be owned/operated by a private entity.

The United States has created this high-technology field, but it could lose its leadership position in land remote sensing unless action is taken to preserve it. Transfer to a private entity without any government assurances would be preferable and will be actively sought. However, implementing a commercial satellite system may involve some form of government-assured market for a brief time, e.g., a guaranteed minimum purchase agreement, until the private entity is firmly established. The level of need for such support, if any, will be considered carefully in the evaluation of proposals actually submitted.

Federal interests will require a continuing oversight to any private entity involved in civil space remote sensing, as outlined in the Outer Space Treaty. Such oversight, carried out with interagency coordination and contractual provisions between the Government and the data supplier, will assure that national defense, intelligence, and foreign relations concerns are satisfied.

The Cabinet Council on Commerce and Trade has extensively reviewed the issue and has identified two principal options for your consideration:

Option 1: Transfer to the private sector, by competitive means, the current operational civil weather and land satellites. Separate bids would be accepted for the land or weather satellites, or a firm could elect to submit a single bid for all.

The Department of Commerce will oversee the transfer of the civil operational weather and land, satellites to the U.S. private sector as soon as possible. The transfer will be guided by the following principles:

- (1) National security and foreign policy concerns would be appropriately addressed in preparing legislation, requesting proposals, and/or overseeing the private entity or entities.
- (2) The selection of the private entity would occur under competitive conditions. Private firms would have the option of bidding separately for the land or weather satellite system or preparing a joint submission for both. The financial and program justifications would be presented in such a manner that separate submissions can be appropriately compared to joint submissions.
- (3) The Department of Commerce would establish an inter-agency coordinating body as soon as possible.

Advantages

- o Stimulates technology development by the private sector in response to new market demands and expands the role of private industry.
- o Demonstrates commitment to the private sector role in space.
- o Reduces the size and scope of Government activities.

Disadvantage

- o May require increasing Federal funding to prior commitment levels until the private entity is firmly established.

Option 2: Continue the current budget policy of bringing the operational land remote sensing systems in the Government to a close nominally by 1988 (or sooner if private industry is willing to take it over) and retain the civil weather satellites under Government control.

Advantage

- o Option is within current budget.

Disadvantages

- o Only minimally reduces the size and scope of Government.
- o Would result in the relinquishment of land remote sensing to foreign competitors by U.S..

Decision

Option 1 _____ Transfer to the private sector, via competitive means the current operational civil weather and land satellites. Separate bids would be permitted for the land or weather satellites, or a firm could elect to submit a single bid for all.

Option 1 unanimously supported by the Cabinet Council on Commerce and Trade

Option 2 _____ Continue the current budget policy of bringing the operational land remote sensing systems in the Government to a close nominally by 1988 or sooner if private industry is willing to take it over, and retain the civil weather satellites under Government control.



Malcolm Baldrige
Chairman Pro Tempore
Cabinet Council on Commerce and Trade