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WITHDRAWAL SHEET

Ronald Reagan Library

Collection: WHORM: Subject File

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Date: 7/16/97

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
1. obtion paper (121530)	from Commerce, 4p	n.d.	P5
2. paper	from FEMA, 1p	n.d.	P5
3. memo	A.G. Anderson to Bennet Lewis re redraft of industrial mobilization section of EMPB policy statement, 1p	6/16/82	P5
4. letter	David Stockman to Casper Weinberger re Defense Production Act, Title III, 2p	5/15/82	P5
5. postion paper	re National Emergency Mobilization Policy Statement and Defense Production Act, Title III, 2p	n.d.	P5
6. memo	Lewis to Board Members re fifth draft of national policy statement, 2p	6/4/82	P5
7. paper	re Issue # 1, 2p	n.d.	P5
8. paper	re Issue # 2, 2p	n.d.	P5
9. memo	Lewis to Edwin Harper re national policy statement, 2p	5/11/82	P5
10. memo	Michael Uhlmann to Lewis re national policy statement, 1p	5/18/82	P5

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

- P-1 National security classified information [(a)(1) of the PRA].
- P-2 Relating to appointment to Federal office [(a)(2) of the PRA].
- P-3 Release would violate a Federal statute [(a)(3) of the PRA].
- P-4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA].
- P-5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA].
- P-6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA].

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- F-4 Release would disclose trade secrets or confidential commercial or financial information [(b)(4) of the FOIA].
- F-6 Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA].
- F-7 Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA].
- F-8 Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA].
- F-9 Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA].

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OPTIONS PAPERIssue

Should the EMPB's national policy statement provide for increasing the availability and efficient use of industrial resources needed for mobilization through full utilization of the authorities of the Defense Production Act (DPA)? Some have criticized that this may look like "subsidizing" U.S. industry.

Background

The fifth draft of the EMPB national policy statement contains the following language concerning industrial mobilization and use of the DPA: "It is the policy of the United States to have a capability to mobilize industry in order to achieve timely and sufficient production of military and essential civilian materiel needed to prosecute successfully a major military conflict, to lend credibility to national strategic policy, and to respond appropriately to domestic emergencies. The program will...increase the availability and efficient use of industrial resources...through appropriate utilization of Defense Production Act authorities and systems..."

As stated by the President in his December 17, 1981 Executive Memorandum establishing the EMPB, "One of the most compelling tasks still facing us is the development of a credible and effective capability to harness the mobilization potential of America in support of the armed forces, while meeting the needs of the national economy and other civil emergency preparedness requirements."

The Industrial Mobilization Working Group (IMWG) intends to analyze a broad spectrum of authorities and to make recommendations to the EMPB concerning the most cost effective means to improve the responsiveness of the industrial base to mobilization requirements. It is not the intent of the IMWG to use DPA authorities merely to maintain existing productive capacity (i.e., to subsidize failing industries). In fact, the Act provides safeguards against its use for such purposes but, frankly, it may be necessary in wartime.

Other provisions of the DPA (Titles I and VII) are currently used in peacetime. These provisions neither state nor imply any incentives or subsidies to industry. However, continued use of these provisions is essential to continue to provide for the national defense and national security. Conversely, if the policy statement does not allow for full utilization, certain options may be precluded during emergencies.

Option 1:

Clearly provide in the national policy statement for full utilization of the authorities of the Defense Production Act of 1950, to strengthen the defense industrial base.

Pros:

- o The Defense Production Act is the principal legislative authority for industrial mobilization programs.
- o The DPA provides safeguards against misuse of its broad authorities. In addition, before implementation of any Title III program, funds would have to be appropriated by the Congress, and OMB review of expenditures would be required.
- o If properly utilized, the loan and loan guarantee provisions of Title III of the DPA do not represent a cost to the taxpayer. Past experience with Title III programs indicates that new domestic markets are stimulated by creation or expansion of the U.S. industrial capability. Jobs are created for U.S. citizens, and our reliance on imports is reduced.
- o In cases involving strategic and critical materials that we must stockpile, every pound of such material produced annually in the U.S. reduces the stockpiling requirement by three pounds. The Administration is currently reviewing stockpile policy to determine whether DPA incentives would be more cost effective than purchasing additional materials for the stockpile.

Cons:

- o A Presidential statement of national policy that contains reference to full use of the authorities of the DPA (i.e., Title III) could be misconstrued as being inconsistent with the Administration's free market policies.
- o Any suggestion of or reference to potential incentives/subsidies to industry may be perceived by the public as another case of an administration bail-out of a failing industry, such as Lockheed or Chrysler.
- o Use of Title III could increase Federal costs, especially in the near term and in cases where the expanded capability gained is applicable only to military surge/mobilization requirements (i.e., no commercial market).

Option 2:

Provide in the national policy statement for appropriate utilization of the authorities of the Defense Production Act of 1950, as a means of strengthening the defense industrial base.

Pros: o Same pros as option 1.

- o From the viewpoint of those who advocate option 3, option 2 would not commit the Administration to use of Title III of the DPA and would, therefore, obviate the cons of option 1.

Con:

- o Option 2 is not as strong a statement of Administration commitment to strengthening national security as is option 1.

Option 3:

Eliminate any reference in the policy statement to the Defense Production Act authorities and simply state that the Industrial Mobilization Working Group program will: " increase the availability and efficiency of industrial resources, including transportation and energy necessary to support industrial production and expansion of the industrial base."

Pro:

Will not constrain the activities of the IMWG from considering the full authorities of the DPA in developing recommendations which should be taken to enhance the mobilization potential of the U.S. defense industrial base.

Con:

Does not answer the "policy question" of whether or not the Administration will support the use of DPA Title III authorities when shown to be effective to enhance industrial mobilization capability.

Recommendation: - Option 1

Full use of the authorities of the Defense Production Act may well be required in order to have the capability to mobilize industry when necessary. The concern that a statement which support the full use of DPA authorities may be construed as authorizing a blank check for Government incentives or subsidies to industry is without merit. In fact, the Act itself and the budgetary process provides safeguards against any inappropriate use of the authorities. The policy statement should retain reference to utilization of the authorities of the Act.

Accordingly, we recommend that the following specific language be included in the policy statement:

"increase the availability and efficient use of industrial resources, including transportation and energy necessary to support industrial production and expansion of the industrial base, through full utilization of Defense Production Act authorities and systems, new or modified legislation, improved guidance on resource-claimancy for industrial production, and use of import and export controls;"

Industrial Mobilization

It is the policy of the United States to have a capability to mobilize industry in order to achieve timely and sufficient production of military and essential civilian material needed to prosecute successfully a major military conflict and to lend credibility to national strategic policy.

The program will:

- improve the capability of U.S. industry to meet current and mobilization requirements by identifying production and supply deficiencies and maintaining a domestic stockpile to overcome them;
- increase the availability and efficient use of industrial resources, including transportation and energy necessary to support industrial production and expansion of the industrial base;
- provide for assessment of the impact on the industrial base resulting from existing and proposed agreements for co-production of defense material, related offset arrangements with our allies, and other reciprocal trade agreements;
- make effective use of stockpile metals, minerals, and materials essential for mobilization production through improved implementation of National Defense Stockpile policy; and
- rely primarily on the strategic stockpile as the primary means of providing for national defense objectives, and the Administration will determine whether circumstances exist under which the use of Defense Production Act incentives would be more cost effective than stockpile purchases.

SUMMARY SHEET

OCT 10 1966

AS IN 5TH DRAFT
AND DOD

COMMERCE

FEMA

OMB / OPM / DoE

The program will:

-improve the capability of U.S. industry to meet current and mobilization requirements by identifying production and supply deficiencies and recommending actions to overcome them;

-increase the availability and efficient use of industrial resources, including transportation and energy necessary to support industrial production and expansion of the industrial base, through appropriate utilization of Defense Production Act authorities and systems, new or modified legislation, improved guidance on resource claimancy for industrial production, and use of import and export controls;

-provide for assessment of the impact on the industrial base resulting from existing and proposed agreements for co-production of defense materiel, related offset arrangements with our allies, and other reciprocal trade agreements; and

-increase the availability of domestic metals, minerals, and materials essential for mobilization production through improved implementation of National Defense Stockpile policy and other means.

No change

-increase the availability and efficient use of industrial resources, including transportation and energy necessary to support industrial production and expansion of the industrial base, through full utilization of Defense Production Act authorities and systems, new or modified legislation, improved guidance on resource-claimancy for industrial production, and use of import and export controls;

No change

No change

-improve the capability of U.S. industry to meet current and mobilization requirements by identifying production and supply deficiencies and initiating actions to overcome them;

-increase the capability of industry and infrastructure systems, including transportation and energy, to support industrial expansion to meet national security needs through use of import and export controls, improved guidance on resource claimancy, and cost-effective use of DPA authorities in cases where the free market does not provide the required national security capability;

No change

-increase the availability to the U.S. of strategic and critical minerals, metals, and materials through stockpiling, use of DPA Title III authorities, or a combination of both of these methods, depending on the costs and benefits for each specific case.

-improve the capability of U.S. industry to meet current and mobilization requirements by identifying production and supply deficiencies and maintaining a domestic stockpile to overcome them;

-increase the availability and efficient use of industrial resources, including transportation and energy necessary to support industrial production and expansion of the industrial base;

-provide for assessment of the impact on the industrial base resulting from existing and proposed agreements for co-production of defense material, related offset arrangements with our allies, and other reciprocal trade agreements; and

-make effective use of stockpile metals, minerals, and materials essential for mobilization production through improved implementation of National Defense Stockpile policy.

The U.S. industrial base contributes to the Nation's defense posture. To the extent that national security needs can be provided with "free-market" incentives, the Government does not have to pay for this increment of preparedness. However, if the market place incentives do not provide for all our needs, the Government should pay for additional increments with specific incentives, either by direct purchases (a demand-side solution) or by increasing industrial capacity (a supply-side solution).

The President has consistently supported use of multiple approaches to solve national security problems. In his statement of March 13, 1981, he stated:

"In addition to strategic stockpiling, I am considering other measures to decrease the Nation's vulnerability, including ways to expand domestic capacity to produce strategic and critical materials".

He repeated this philosophy in his Mineral Policy Statement of April 5, 1982, by indicating the stockpile would be the primary means of providing for national defense objectives, but continued:

"However, analysis is now ongoing to determine whether the use of Defense Production Act incentives would be more cost-effective than stockpile purchases".

The authorities of the Defense Production Act were designed specifically to increase the Nation's ability to provide an industrial base which could be mobilized rapidly to meet national security needs. The existence of an adequate industrial base reduces national security expenditures for programs such as the National Defense Stockpile and the War Reserves Materiel Inventories. If the use of Title III incentives are more cost-effective than traditional programs in meeting national security, it would seem foolish to restrict the President's use of them. This is particularly true in light of this Administration's priorities regarding national security and fiscal responsibility.

Original Text:

- Improve the capability of U.S. industry to meet current and mobilization requirements by identifying production and supply deficiencies and recommending actions to overcome them;

Replacement Text:

- Improve the capability of U.S. industry to meet current and mobilization requirements by identifying production and supply deficiencies and initiating actions to overcome them;

Original Text:

- Increase the availability and efficient use of industrial resources, including transportation and energy necessary to support industrial production and expansion of the industrial base, through appropriate utilization of Defense Production Act authorities and systems, new or modified legislation improved guidance on resource-claimancy for industrial production, and use of import and export controls;

Replacement Text:

- Increase the capability of industry and infrastructure systems, including transportation and energy, to support industrial expansion to meet national security needs through use of import and export controls, improved guidance on resource claimancy, and cost-effective use of DPA authorities in cases where the free market does not provide the required national security capability;

Original Text:

- increase the availability of domestic metals, minerals, and materials essential for mobilization production through improved implementation of National Defense Stockpile policy and other means;

Replacement Text:

- Increase the availability to the U.S. of strategic and critical minerals, metals, and materials through stockpiling, use of DPA Title III authorities, or a combination of both of these methods, depending on the costs and benefits for each specific case.

JUN 16 1982

Major General Bennett H. Lewis
Executive Secretary
Emergency Mobilization Preparedness Board
Washington, D.C. 20472

Dear General Lewis:

Enclosed is OMB's suggested redraft of the Industrial Mobilization section of the EMPB policy statement. I strongly urge that it be inserted instead of the present language.

Sincerely,

/s/ A. G. Anderson

Annette Anderson
Associate Director for
Economics and Government

Enclosure

6/16/82

Industrial Mobilization

It is the policy of the United States to have a capability to mobilize industry in order to achieve timely and sufficient production of military and essential civilian material needed to prosecute successfully a major military conflict and to lend credibility to national strategic policy.

The program will:

- improve the capability of U.S. industry to meet current and mobilization requirements by identifying production and supply deficiencies and maintaining a domestic stockpile to overcome;
- increase the availability and efficient use of industrial resources, including transportation and energy necessary to support industrial production and expansion of the industrial base;
- provide for assessment of the impact on the industrial base resulting from existing and proposed agreements for co-production of defense material, related offset arrangements with our allies, and other reciprocal trade agreements; and
- make effective use of stockpile metals, minerals, and materials essential for mobilization production through improved implementation of National Defense Stockpile policy.

JAN 8 1982

Honorable William Proxmire
United States Senate
Washington, D.C. 20510

Dear Bill:

This is in response to your October 7, 1981 letter concerning Federal subsidies for domestic production of certain critical materials under Title III of the Defense Production Act (DPA).

As is evident from your letter, you are aware that the Federal Emergency Management Agency has proposed four projects for Federal support under Title III. The Administration has been examining the use of these authorities for this purpose in some detail over the last few months. We do not plan to make use of Title III authorities to subsidize domestic industry. Instead, the Administration intends to rely on the market place to improve the competitiveness of our industries and help reduce our dependence on foreign sources of critical materials. We are confident that several of our recent initiatives--such as tax reductions, depreciation schedules designed to provide new incentives for capital investment, and reduction of the immense regulatory burden now imposed on business by the Federal Government--should significantly strengthen our minerals posture.

Please be assured that any budget initiative that proposes use of Title III authorities will receive our closest scrutiny.

Sincerely,

DAVID A. STOCKMAN

David A. Stockman
Director

cc: Official file - JTGMD/JGMBBranch
DO Records - OMB #9737
DO Chron
Mr. Harper
Mr. schleede
Legis. Affairs
Dr. Anderson (2)
Mr. MacRae (2)
Mr. Seidl
Ret. Mr. Atherton

JTGM:JGMB:JAtherton:pea/11/5/81
REW:JTGM:JGMB:JAtherton:pea/12/3/81



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

May 5, 1982

Honorable Fernand J. St Germain
Chairman, Committee on Banking,
Finance and Urban Affairs
U.S. House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

I understand that your Banking, Finance, and Urban Affairs Committee plans to mark up the Defense Industrial Base Revitalization Act (H.R. 5540) in the near future. As you know, the bill provides \$6.75 billion in price supports, loan guarantees, and other subsidies for domestic production of defense-related materials. While I appreciate your concerns about the Defense industrial base readiness, I find it difficult to support these provisions.

I would like to take this opportunity to explain the Administration's position.

As indicated in the President's recent Minerals Policy Statement, it is our policy to rely on the marketplace to improve the competitiveness of our industries and thereby reduce reliance on foreign sources. Several recent initiatives, including the Defense build-up, tax reductions, improved depreciation schedules to foster investment, and reduction of regulatory burdens will significantly strengthen our materials posture. These broad measures to strengthen the economy are already in place, and will be increasingly effective in the recovery.

The strategic stockpile provides substantial additional protection to insure that defense material needs can be met in case of declared national emergencies. Planned stockpile acquisitions will further improve this protection.

For these reasons, we strongly oppose H.R. 5540. We understand that Senator Schmitt recently introduced a bill which would extend existing Defense Production Act authorities for five years. We support such an extension. This would ensure that Title I and Title II authorities will be preserved and that Title III authorities are available, should analysis indicate that they would be more cost-effective than stockpile measures.

Thank you for the opportunity to express the Administration's views.

cc: Official File
DO Records/DO Chron
Deputy Dir.

Khedouri Howard
Anderson Adkins
LA Seidl
Glozer Atherton

CC: Honorable James J. Blanchard
Honorable Stewart McKinney

Sincerely,

David A. Stockman

David A. Stockman
Director

12602
Identical letter sent to Honorable William Stanton

This Administration will rely primarily on the strategic stockpile as the primary means of providing for national defense objectives. However, analysis is now ongoing to determine whether circumstances exist under which the use of Defense Production Act incentives would be more cost-effective than stockpile purchases.

International Minerals Policy Coordination

Most industrial free market countries are more heavily dependent upon imported minerals than the United States (the two principal exceptions are Canada and Australia), but the United States is the only industrial nation with a significant stockpile of minerals and other critical materials for national defense. Other nations have investigated economic or strategic stockpiling of certain materials, but few programs have been carried out. Therefore, this Administration will initiate and conduct periodic and ad hoc consultation and coordination of the strategic and security policy aspects of non-fuel minerals and associated processing capabilities among industrial nations which are consumers of key materials.

We recognize our interest in policies which would create and maintain international markets for critical materials and the need of producing and consuming countries to cooperate to their mutual trade benefit.



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

Jim Jordan
For info

APR 15 1982

Honorable Casper Weinberger
Secretary
Department of Defense
Washington, D.C. 20301

Dear Cap:

This is in response to your March 22, 1982 proposal to amend the Defense Production Act (DPA), Title III to grant the Defense Department \$2.5 billion in revolving Treasury borrowing authority, to subsidize domestic materials production.

As indicated in the recent Presidential Minerals Policy Statement, it is Administration policy to rely on the marketplace to improve the competitiveness of our industries to help reduce dependence on foreign sources. Several recent initiatives, such as the Defense build-up, tax reductions, improved depreciation schedules to foster investment, and reduction of regulatory burdens, will significantly strengthen our materials posture. The strategic stockpile provides substantial additional protection to insure that defense material needs can be met in case of emergencies or supply disruptions. Planned stockpile acquisitions will further improve this protection. In spite of our commitment to the stockpile as the primary means of providing for national defense objectives, the Administration has also supported a five year extension to the current DPA Title III so that authorities would be available, should analysis indicate that they would be more cost-effective than stockpile measures.

In addition to altering the Administration's basic policy with regard to Title III, the proposed legislation requests blanket project approval and "backdoor" borrowing authority which is contrary to the provisions of the Congressional Budget Act of 1974.

Our analysis of the DOD proposal to subsidize domestic cobalt production indicates that it is substantially less costly to acquire stockpile protection by direct purchase. Currently, cobalt transactions are being reported at about \$10 per pound, nearly 45% less than the level necessary to induce domestic production. Even with significantly higher world prices, stockpile acquisition would continue to be a less costly approach.

In view of these concerns, I regret that I cannot support your proposed amendment to the Defense Production Act. We would, however, be happy to continue to work with you to extend the existing DPA and to consider any specific cases where the Defense Department believes the use of DPA authorities would be cost-effective.

Sincerely,

David A. Stockman
David A. Stockman
Director

Official File - NSD/AF Branch
DO Records - OMB Control #12110
DO Chron

Mr. Wright

Mr. Kudlow

Mr. Moran

Mr. Schneider

Mr. Khedouri

Dr. Anderson

Mr. Glozer

✓ Mr. Adkins

Division Office (2)

AF Chron

OMB/NSD:JFCampbell:lmj 4/5/82



OFFICE OF THE UNDER SECRETARY OF DEFENSE

WASHINGTON D.C. 20301

16 June 1982

POLICY

MEMORANDUM FOR BENNETT L. LEWIS, EXECUTIVE SECRETARY, EMERGENCY MOBILIZATION
PREPAREDNESS BOARD

SUBJECT: Defense Production Act, Title III

As you requested in the meeting on June 15th, here is a paper which sets out the position of the Department of Defense on the issues associated with Title III of the Defense Production Act, and the mention of that title and act in the National Emergency Mobilization Policy Statement.

This position paper has the approval of General Richard Stilwell and Lieutenant General James Dalton.


Craig Alderman, Jr.
OSD EMPB Liaison Officer

Attachment
a/s

POSITION PAPER

NATIONAL EMERGENCY MOBILIZATION POLICY STATEMENT AND THE DEFENSE PRODUCTION ACT, TITLE III

The Department of Defense (apparently along with some 17 other board members) prefers the language of the industrial mobilization program objectives as stated on page 6 of the fifth draft of the national emergency mobilization policy statement.

There are two rationale to be considered: why DPA Title III, and why should Title III be explicitly mentioned in this policy statement?

Why DPA Title III?

- o DPA Title III is a principal mechanism to stimulate new or increased domestic capability to produce material, goods, or services for national security.
 - o DPA Title III is most practicable method of providing new or increased manufacturing or production capabilities. Stockpiling is patently not workable in these instances.
 - o In those instances where industries would require large initial investment and would be subject to market control from large, international producers, Title III incentives provide acceptable alternatives to direct government investment.
 - o Compared to the stockpile, use of DPA Title III is an economically and politically practicable method of decreasing dangerous reliance on offshore sources for strategic and critical materials.
- 38%
- Current stockpile is ~~48%~~ 38% of established goals, and contains \$6.8 billion excess or obsolete material.
 - Assuming we could obtain Congressional approval, market constraints would require us to take more than ten years to sell the excess and obsolete stockpile material, and apply the proceeds against new stockpile purchases -- and we would still be approximately \$6 billion short of established goals.
 - Title III, on the other hand, provides greater flexibility, reduces the stockpile goal, increases the gross national product, provides employment, and decreases balance of payments deficits.

- o Use of Title III is within the normal budget process, and subject to same Executive and Congressional review as any other budget program.
- o Each Title III case is processed individually, and allows the Administration to select form of incentives most appropriate to circumstances (e.g., loan guarantees, purchase guarantees, etc.)
- o Title III has proven record of success in providing long term, cost effective, economic incentives to encourage domestic production.

Why Should the National Policy Statement Address DPA ?

- o The use of DPA Title III is obviously controversial within this Administration.
 - We need to resolve this controversy with a clear and unambiguous statement of policy regarding the use of DPA to increase our national preparedness.
 - The chapeau policy document for emergency mobilization preparedness is the appropriate locale for that statement.
- o The use of DPA Title III is an issue in the EMPB structure.
 - We have been working this issue for four months and six drafts.
 - The EMPB is chartered to resolve mobilization preparedness issues. We should face this one squarely.
- o There are some agencies who hold that our national policy is to rely on the stockpile in all instances where Defense would use the DPA. Unless the national mobilization policy statement clearly contradicts this belief, each successive attempt to use DPA Title III will refight the basic issue.
- o The national policy statement does not commit us to specific actions, but rather provides for a range of options and responses to different emergencies. The industrial mobilization section has been revised to apply only to national security emergencies. The use of Title III as one of the mechanisms in the industrial mobilization program is an option we must retain.
- o The use of DPA Title III is clearly within the decisions and policies set forth in NSDD-32 and NSSD 1-82, and is consistent with other functional areas addressed by those documents.

AGENCY PERSONNEL BRIEFED ON EXERCISE REX-82 BRAVO

ORGANIZATIONS ON BOARD

<u>AGENCY</u>	<u>TELEPHONE NUMBER</u>
<u>Department of Agriculture</u>	
Gay, Harold E.	447-4283
Horton, Buster	447-5711
<u>Department of Commerce</u>	
Hendon, Harold (ITA)	377-4042
Weaver, Loran A. (NOAA/OA-1)	433-8831
<u>Department of Defense</u>	
Eley, John W. (MCDC)	693-8282
Rumph, Robert (Detailed to FEMA)	287-0040
Yarborough, Lee	694-1308
<u>Department of Education</u>	
Peabody, Brent	245-9582
<u>Department of Energy</u>	
Brown, James M. Jr. (EP-42)	252-5150
LaBarre, Vicki (EP-43)	252-4391
Nawrocki, Carolyn (EP-42)	252-5150
<u>Department of Health and Human Services</u>	
Angrist, Walt (HCFA)	(FTS) 934-7030
Doherty, R. B.	245-0645
Marks, Franklin (PHS)	443-1167
Stratton, Nick	(FTS) 987-3124
Suzuki, Michio (OHPS)	245-7027
<u>Department of Housing and Urban Development</u>	
Monihan, Terrence	755-2855
<u>Department of Justice</u>	
Cross, Bill	633-4534
Adrian, Sharon (FBI)	324-5602
Kardash, William (FBI)	324-5602
<u>Department of Labor</u>	
McLaughlin, Bill	523-6963
Tabb, Eldridge	523-6230
<u>Department of Transportation</u>	
Barry, George W. (OET)	426-4118
Ing, Bryon (USCG)	755-0968
Norris, Jack (DPB30)	426-4270
Schneider, Tom	426-4118

AGENCYTELEPHONE NUMBERDepartment of the Treasury

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EMERGENCY MOBILIZATION PREPAREDNESS BOARD

Washington, D.C. 20472

JUN 4 1982

Copy
MEMORANDUM FOR: BOARD MEMBERS

FROM: Bennett L. Lewis
Executive Secretary

SUBJECT: Fifth Draft National Policy Statement on Emergency Mobilization Preparedness

The fifth draft of the policy statement is at attachment 1. There are three remaining issues to be resolved.

The issues are discussed here briefly and addressed in more detail at attachments 2, 3, and 4:

ISSUE #1 Does the draft policy statement clearly state the Administration's position on the preeminence of the free market while at the same time allowing for the possible use of standby controls under exceptional circumstances?

I am convinced that all members of the Board share the desire to place reliance on the allocative efficiencies of the free market. Revised language, as recommended in the issue paper at attachment 2, has been introduced in the last two sentences under "Principles" on page 1. I believe this adjustment will resolve the issue.

ISSUE #2 Should the Federal Government use existing authority under the Defense Production Act (DPA) to stimulate increased activity by the private sector in support of emergency mobilization preparedness? Should references to DPA incentives be included in the National Policy Statement?

A change in the language of the industrial mobilization program has been made to make the point that utilization of the DPA authorities would be limited to only those times when it was "appropriate". A discussion of the issue is at attachment 3. If it cannot be resolved prior to the Board meeting, the issue will be decided at that time.

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ISSUE # 3 Should a principle concerning Federalism be included in the policy statement or not?

A principle concerning the respective role of State and local governments has been reinserted in the policy statement at page 3, as recommended by the Office of Policy Development. Attachment 4 contains the request to OPD and their response concerning this issue. Members of the Secretariat will be contacting the Agencies taking issue to be certain that it is actually resolved to everyone's satisfaction.

Responses to Member's Comments

1. Several members suggested that some of the Principles from one sub-section should be repeated in the other sub-section and vice versa. To accommodate this, without being repetitious, the whole section has been reformatted to include a sub-section, General Principles. Nothing else has been changed except the addition of the principle on the role of State and local governments.

2. Several comments were received that the specific policy and program areas now being included make the statement excessive in length as compared to the previous 7 page document. The previous drafts included a 19 page attachment detailing the specific policy, program, and implementation measures which made the complete document 26 pages in length. It has always been intended that the National Policy Statement include the attachment. The changed format, in this draft, provides a document 13 pages in length, compared to the previous 26 pages. I believe that the statement of National policy is more meaningful if it contains the more specific policy and program statements that the Working Groups have developed.

3. It is planned that the implementation measures from each of the Working Groups' preparedness areas will be issued by the Chairman in a separate memorandum when he requests input to the plan of action. The implementation measures are at attachment 5 of this memorandum for your information.

Your comments on the remaining issues in this fifth draft are welcome. Please reply by close of business June 11, if you have suggestions. Otherwise, it is planned to introduce the document to the Board at the June 16 meeting for final approval.

Attachments 6

cc:

Agency Liaison Officers
Working Group Chairmen
Points of Contact

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Attachment 1

National Security Decision Directive

5th DRAFT
2nd Iteration

PREAMBLE

A fundamental obligation of government is to provide for the security of the Nation and to protect its people, values, and its social, economic, and political structures. Inherent in that obligation is the development of an emergency mobilization preparedness program which will provide an effective capability to meet defense and essential civilian needs during national security emergencies and major domestic emergencies. --This directive aims not to commit the Federal government to a particular course of action, but rather to assure that a range of options are available in time of grave national emergency.

UNITED STATES EMERGENCY MOBILIZATION PREPAREDNESS POLICY

It is the policy of the United States to have an emergency mobilization preparedness capability that will ensure that government at all levels, in partnership with the private sector and the American people, can respond decisively and effectively to any major national emergency with defense of the United States as the first priority.

PRINCIPLES FOR EMERGENCY MOBILIZATION PREPAREDNESS PROGRAMS

Programs developed to ensure or improve the Nation's ability to mobilize will be based on the principles that follow. They have been divided into three categories. The division between the principles that apply to National security emergencies and those that apply to domestic emergencies was made to emphasize that the respective and appropriate response for each may be quite different. The objective in both cases, however, is to define a common ground upon which mobilization programs can be developed and used at the discretion of the President to prevent avoidable emergencies, to combat and reduce those that are unavoidable, and to mitigate the effects of those that do occur. Authorities for direct economic controls in emergency situations need to be provided to give responsible policymakers flexibility to deal with circumstances that can be judged only as they arise. These controls should be used only when they are clearly superior as a means to achieve essential objectives, and not as an automatic response to all emergencies. The allocative efficiency of the market should be relied upon whenever possible.

General Principles

Emergency mobilization preparedness programs for all emergencies will be based on the following principles:

- Where applicable, preparedness measures should emphasize the partnership and interdependence between Federal, State, and local governments.

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- To the maximum degree possible, consistent with security requirements, the private sector should be brought into a planning partnership with responsible government agencies prior to the outset of an emergency.
- Plans and procedures should be designed to retain maximum flexibility for the President and other senior officials in the implementation of emergency actions both above and below the threshold of declared national emergencies and wars. Plans should avoid rigid "either-or" choices that limit Presidential options.
- Preparedness measures should reflect functional interdependencies among agency activities and across preparedness programs. Close and continuous coordination between military and civilian agencies is required to ensure consistent approaches to common problems.
- Preparedness measures should recognize the importance of short-term improvements and make effective use of the existing mobilization base.
- Preparedness measures to assure adequate mobilization base capabilities should be developed in the longer term. These measures should be designed to meet those specific requirements for national emergencies that may not be met by the dynamics of the market-based economy.
- Preparedness measures that involve the waiving or modification of socioeconomic regulations that delay emergency responses should receive priority attention.
- Preparedness measures that are, or may be, impeded by legal constraints should be identified as a priority task.
- Preparedness programs should also be designed to increase capabilities to cope with resource shortages arising from politically or economically motivated disruptions of essential supplies from foreign sources, and serious disruptions of services (e.g., transportation or communications) that could cripple economic activity and threaten national security.

Principles for National Security Emergencies

Emergency mobilization preparedness programs for national security emergencies will be based on the following principles:

- Preparedness measures should address the full spectrum of national security emergencies.

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- The development of the structure of policies, plans, authorities, and requirements for full mobilization should receive priority attention. Foundations for total mobilization planning should be introduced concurrently.
- Resource management and economic stabilization programs should include standby plans and procedures for governmental intervention, as necessary, into the market place to ensure the enhancement of supply and the allocation of resources to military and essential civilian needs. These mechanisms should provide for both gradual and abrupt replacement of market forces by governmental regulations.
- Preparedness measures should emphasize a rapid and effective transition from routine to emergency operations and should be designed to make effective use of any periods of time that may be available following the receipt of strategic and tactical warnings. The Government must develop capabilities to minimize the start-up time required for emergency responses.
- High priority must be given by Federal agencies to identify and prioritize their requirements for national resources needed in a mobilization.
- Improvement in the capabilities of Federal agencies to identify and manage the resources under their cognizance to meet military and essential civilian requirements in a mobilization will be achieved.
- Preparedness measures should include all appropriate coordination with our allies.

Principles for Domestic Emergencies

Emergency mobilization preparedness programs for domestic emergencies will be based on the following principles:

- Preparedness measures must reflect the respective roles of the Federal, State, and local governments under the Federal structure of our Constitution. In peacetime, principle responsibility for emergencies lies with the State and local governments, and preparedness measures must provide for gradual realignment of responsibilities from the Federal to State and local governments and must assist those jurisdictions in the development of capabilities to handle these responsibilities.
- Primary emphasis should be placed on natural or technological disasters that have a major national impact; produce multi-State consequences that cannot be managed effectively without substantial Federal presence; or, arise within spheres of activity in which there is an established Federal preeminence.

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- Domestic preparedness programs should recognize the primary responsibilities of State and local governments.
- Domestic preparedness programs should be developed in close coordination with the private sector.
- Preparedness measures for allocation of resources during domestic emergencies should emphasize procedures that rely on market-based mechanisms.
- Economic stabilization preparedness measures should provide mechanisms that avoid the imposition of direct economic controls, except on a temporary basis, in affected areas.
- Preparedness measures for domestic emergencies should facilitate responses which may be necessary for only temporary and selective departures from established public policies. Equally, such measures should aim for the prompt restoration of routine policies and programs.

SPECIFIC POLICIES AND PROGRAMS

Based on the national emergency mobilization preparedness policy and principles stated above, the programs are to be directed initially at the development of a credible and effective capability to harness the mobilization potential of America in support of the Armed Forces, while meeting the needs of the national economy and other civil emergency preparedness requirements. These programs, making use of existing programs where possible, will contribute to:

- deterrence of attack, especially nuclear attack on the United States, our allies and friends; and defeat of attacks should deterrence fail;
- effective response to attempts at coercion, nuclear blackmail and economic warfare;
- preservation of constitutional government;

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- prompt recovery of affected areas and to the restoration of national systems, including the Armed Forces;
- maintenance of alliances and the continuation of cooperative relationships with our allies before, during, and after armed conflict or disruptive activities; and
- effective allocation and management of essential resources.

In the case of major domestic emergencies, emergency mobilization preparedness programs will contribute to:

- improving the survivability of the national security capability;
- effective natural disaster predictions, risk assessment and warning systems;
- mitigating the vulnerability of production, services and the infrastructure to catastrophic events;
- prompt and coordinated Federal assistance to affected state and local governments and communities;
- effective management and allocation of Federal resources to facilitate both emergency response operations and long-term rehabilitation and recovery.

Military Mobilization

It is the policy of the United States to develop systems and plans that will ensure that sufficient manpower and materiel are available to guarantee the Nation's ability to mobilize, deploy, and sustain military operations; and that, consistent with national defense priorities, military manpower and materiel be available to assist civilian authorities when civil resources are inadequate.

The program will increase capabilities to:

- expand the size of the force from partial through full to total mobilization;
- deploy forces to theaters of operations, and sustain them in protracted conflict; and
- provide military assistance to civil authority, consistent with national defense priorities and applicable legal guidelines.

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Industrial Mobilization

It is the policy of the United States to have a capability to mobilize industry in order to achieve timely and sufficient production of military and essential civilian materiel needed to prosecute successfully a major military conflict, to lend credibility to national strategic policy, and to respond appropriately to domestic emergencies.

The program will:

- improve the capability of U.S. industry to meet current and mobilization requirements by identifying production and supply deficiencies and recommending actions to overcome them;
- increase the availability and efficient use of industrial resources, including transportation and energy necessary to support industrial production and expansion of the industrial base, through appropriate utilization of Defense Production Act authorities and systems, new or modified legislation improved guidance on resource-claimancy for industrial production, and use of import and export controls;
- provide for assessment of the impact on the industrial base resulting from existing and proposed agreements for co-production of defense materiel, related offset arrangements with our allies, and other reciprocal trade agreements; and
- increase the availability of domestic metals, minerals, and materials essential for mobilization production through improved implementation of National Defense Stockpile policy and other means.

Human Resources

It is the policy of the United States to develop systems and plans to ensure that the Nation's human resources are available in the requisite numbers and skills to support and sustain the Armed Forces, and to provide for essential civilian needs.

The program will:

- identify the required civilian skills and potential supply problems for support of the Armed Forces, essential defense industries, and other critical mobilization tasks;
- facilitate the channelling of skilled workers toward the most critical mobilization needs;
- provide for maximum reliance on voluntary mechanisms to allocate human resources to critical industrial and other emergency mobilization tasks;

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- provide for a standby system for allocation of workers to critical mobilization tasks if necessary;
- minimize the impact of labor-management conflicts on expansion of defense production;
- enhance the availability of the requisite scientific, engineering, technical and other human resources to support both military and industrial mobilization needs; and
- ensure that human resources policies enhance economic stabilization plans and procedures for mobilization.

Health

It is the policy of the United States to develop systems and plans that will ensure that sufficient medical personnel, supplies, equipment, and facilities will be available and deployed to meet essential civilian and military health care needs in an emergency.

The program will:

- enhance the Nation's ability to recover from major emergencies and protect the population from the spread of disease;
- supplement medical services provided by state and local governments and the private sector with medical resources during a domestic emergency;
- increase the capability to provide medical care to military casualties in civilian and Federal facilities; and
- allocate scarce supplies and skilled professionals (specialists) to the highest priority needs.

Economic Stabilization and Public Finance

It is the policy of the United States to develop a variety of authorities and plans which could be used in maintaining stable economic conditions during any major national emergency, giving particular emphasis to measures which will minimize inflation and shortages; enhance morale and assure that the burdens of the emergency are being fairly shared; facilitate an orderly return to a normal economy as soon as possible; and allow the allocative efficiencies of the free market to operate where possible, with alternative measures involving direct Government intervention in the economy to be used only at the latest appropriate time.

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The program will increase capabilities to:

- minimize economic dislocations and distortions associated with major emergencies by carrying-out appropriate fiscal, monetary, and regulatory policies, including controlling inflation and shortages arising from the transfer of resources from non-essential to priority uses;
- facilitate resource reallocation necessitated by any relocation of the populace;
- assure an equitable distribution of consumer goods;
- provide for the protection of U.S. financial resources including currency production, Federal check disbursement facilities, and precious monetary metals;
- preserve and facilitate operations of public and private financial institutions systems, and provide for any necessary restoration of their functioning after a major emergency;
- provide the government with efficient and equitable financing sources and payments mechanisms for emergencies; and
- provide fiscal authorities with adequate revenue-raising powers to stabilize the economy in the face of any additional resource requirements needed to deal with or recover from an emergency; available fiscal measures should be selected to provide maximum efficiency and equity, preserve incentives, and minimize administrative burdens.

Civil Defense

The United States civil defense policy is contained in National Security Decision Directive 26 (SECRET) dated February 26, 1982. In addition, it is the policy of the United States that all Federal Agencies shall participate in, and support, the civil defense program for population protection, communications and warning, training and education, and industrial protection.

Earthquakes

It is the policy of the United States to develop systems and plans to reduce the loss of life, destruction of property, economic instabilities, and the adverse impact on our national defense capability that would result from a catastrophic earthquake.

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The program can substantially reduce the effects of a catastrophic earthquake by improving earthquake prediction, hazard and risk assessment, warning systems, public education and awareness, response and recovery; by developing further and applying earthquake resistant design and construction techniques, and land use planning. The initial action will be focused on California, but attention will be focused later on other regions in consideration of their relative risk from an earthquake.

The program will increase capabilities to:

- evaluate current earthquake prediction activities, foster the application of advanced scientific and engineering techniques for prediction and mitigation, increase and accelerate basic and applied research efforts;
- develop a coordination and integration mechanism between Federal and state governments;
- identify and allocate financial, medical, transportation, shelter, communications and other resources necessary to assist recovery operations;
- reduce the negative effects on military installations and defense related industries;
- ensure more effective public awareness programs to equip all levels of the populace with specific information to help them survive;
- promote international cooperation to increase scientific and engineering knowledge in applying mitigation measures;
- provide for the preparation, implementation and exercising of preparedness procedures; and
- ensure the adequacy of current Federal legislation and regulations to facilitate an effective response.

Government Operations

It is the policy of the United States to develop systems and plans that will ensure the maintenance of necessary government functions at the Federal, State, and local levels and provide for a timely and effective transition into emergency modes of operation.

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The program will:

- ensure continuous performance of essential government functions;
- provide timely and effective transition to emergency government operations;
- provide a mechanism for the reconstitution of the operations of government following a nuclear attack, as required; and
- ensure that government officials at all levels are capable of responding predictably and effectively to emergency conditions.

Emergency Communications

It is the policy of the United States to ensure that communications resources be available and adequate to respond to the Nation's needs.

The program will:

- assure viable communications operations concepts;
- make information available on communications needs and resources;
- identify and correct communications deficiencies;
- provide adequate communications planning guidance;
- arrange for smooth transition from normal to emergency operations.

Law Enforcement and Public Safety

It is the policy of the United States to develop systems and plans that will provide for the public safety and ensure continued enforcement of Federal, state and local laws; and ensure internal security and the control of United States borders, and waters subject to the jurisdiction of the United States.

The program will increase capabilities to:

- maintain law and order in a variety of emergencies, particularly terrorist incidents, civil disturbances, nuclear emergencies, and relocation of large numbers of people;
- ensure the physical security of critical public and private facilities;

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- provide for control of enemy aliens and persons entering or leaving the United States;
- guarantee control of United States seaports, airports, and land and sea borders;
- provide a response capability to sabotage and espionage; and
- ensure an intensified counterintelligence effort.

Food and Agriculture

It is the policy of the United States to develop systems and plans that will provide an adequate flow of agricultural products to the general population, the Armed Forces, and to meet our international responsibilities. These plans must reduce the vulnerability of our food and fiber resources; ensure a responsive production, delivery, and distribution system during emergencies, and contain provisions for the rapid recovery of the agricultural system.

The program will:

- plan for adequate research, production capabilities, and reserves of agricultural products, including livestock and poultry, to provide the Nation's farmers with production resources, including emergency financing capabilities, to meet demands;
- provide for the most effective allocation of resources for the production and use of available food and fiber during emergencies; and the assessment of national and international requirements upon supplies of food and fiber, so as to decrease dependence on foreign sources;
- ensure maximum availability of food and fiber supplies to our Armed Forces and our allies;
- maintain production capabilities to contribute to our world agricultural trade objectives, and reduce susceptibility to manipulated economic pressures;
- establish emergency marketing, processing, inspection and grading systems for government-owned and privately-held agricultural commodities; establish civil transportation resource priorities to support agricultural needs; and make provisions for secure storage capabilities and priorities;

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- plan to protect the health and well-being of the Nation's livestock and poultry; ensure the protection of crops and croplands, and the nation's forest resources; and
- provide for timely information under emergency conditions to assure adequate food and fiber production, and priority distribution to the normal wholesale level;

Social Services

It is the policy of the United States to develop systems and plans that will increase capabilities to provide emergency social services to meet survival needs of the population. Maximum reliance will be placed on voluntarism and on state and local governments.

The program will:

- provide services for persons with special needs while preparing families and individuals to care for themselves to the maximum extent possible;
- maintain existing federal, state, local, and private programs to meet ongoing social services needs;
- provide for the reception, care, and resettlement of personnel evacuated from overseas during an emergency; and
- provide for a management structure through which emergency social services requirements can be assessed accurately and necessary services delivered efficiently to meet highest priority needs.

MANAGEMENT

Consistent with this directive, the Emergency Mobilization Preparedness Board will formulate policy and planning guidance, coordinate planning, resolve issues, and monitor progress. In accomplishing these functions, the Board may assign additional tasks to its Working Groups and require the assistance of individual Federal agencies.

Accordingly, I direct the Emergency Mobilization Preparedness Board to prepare a Plan of Action to implement the programs detailed in this directive. Plans of action for programs developed subsequent to publication of this directive will be prepared within 45 days of program approval.

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I further direct that all Federal departments and agencies manage their financial and human resources consistent with the provisions of applicable law, and provisions of this and other directives to assure the development of the required capabilities. Resources for improvements in our preparedness capabilities will be obtained through the normal budget process. In the overall context of the President's budget and current regulatory, budgeting, and legislative review processes, each Department and Agency will program and budget funds and personnel for those preparedness activities which are integral to assigned missions and functions.

Presidential Directive/NSC-57 is hereby rescinded.

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ISSUE #1Issue

Does the National Policy Statement clearly state the Administration's position on the preeminence of the free market while at the same time allowing for the possible use of standby controls under exceptional circumstances?

Discussion

During the drafting of the National Policy Statement, language emphasizing the Administration's reliance on free market mechanisms as opposed to Government controls was incorporated.

Earlier drafts of the Statement were considered by some Board members as not sufficiently highlighting the Administration's free market philosophy. As a result, references to the free market were strengthened in the fourth draft of the Statement.

Now, with the Board's review of the fourth draft, comments have been received suggesting that the free market language, primarily in the Principles section, should be reconsidered.

There is no disagreement with the free market philosophy. The comments speak, however, to revising the language to more specifically indicate that while the free market shall be relied upon to the greatest degree possible, controls should be available for use under exceptional circumstances.

References

References to the free market appear in the fifth draft as follows:

1. Principles section, page 1 - the last three sentences beginning with the word "Authorities..."
2. Principles section, page 2 (General Principles) - the fifth bullet beginning with the words "Preparedness measures..."
3. Principles section, page 3 (National Security Emergencies) - the second bullet beginning with the words "Resource management..."
4. Principles section, page 4 (Domestic Emergencies) - the third and fourth bullets beginning with the words "Preparedness measures..." and "Economic stabilization..."
5. Specific Policies section, page 7 (Economic Stabilization and Public Finance) - the last portion of the paragraph beginning with the words "and allow the allocative efficiencies..."

Comments

1. The Defense, Transportation and JCS Board members commented on the language in the Principles section noted in Reference 1. These comments, in general, call for the referenced language to "...provide for exceptions to the policy which is thought to be its intent."

Defense recommends that the last sentence of the section be changed to read, "The allocative efficiency of the market should be relied upon whenever practicable."

Transportation believes that the phrase "...if not all..." referring to foreseeable emergency circumstances should be deleted.

JCS would delete the next to last sentence then go on to incorporate the following changes, "These controls should be used only when they are clearly superior as a means to achieve essential objectives, and not as an automatic response to all emergencies. The allocative efficiency of the market should be relied upon to the degree possible."

2. Defense also recommended that the language of the Specific Policies section, in Reference 5, be modified by changing the final phrase to read, "... direct Government intervention in the economy to be used only when necessary."

Recommendations

1. The revisions suggested to the Principles section, and their underlying basis, appear to be valid and in keeping with the intent of the National Policy Statement. It is recommended that the Statement be changed to incorporate a composite revision as follows:

"... Authorities for direct economic controls in emergency situations need to be provided to give responsible policymakers flexibility to deal with circumstances that can be judged only as they arise. These controls should be used only when they are clearly superior as a means to achieve essential objectives, and not as an automatic response to all emergencies. The allocative efficiency of the market should be relied upon whenever possible."

2. Concerning the modification suggested in Comment 2, if the above recommendation is adopted this proposed revision is not required and it is recommended that it not be approved.

ISSUE #2Issue

Should the Federal Government use existing authority under the Defense Production Act (DPA) to stimulate increased activity by the private sector in support of emergency mobilization preparedness? Should references to DPA incentives be included in the National Policy Statement?

Discussion

At the April 28, 1982 Board meeting concern was expressed over language in the draft industrial mobilization policy which refers to expanding the use of the DPA and to modification of the DPA and other legislation. On May 12, 1982 the Industrial Mobilization Working Group submitted a revised policy statement and a covering memorandum that reiterated their conviction that government intervention "through subsidies or incentives to industry" may be necessary to the emergency mobilization preparedness effort.

Reference

Reference to expansion of the Defense Production Act authorities and systems appears in the fifth draft on page 6 at the second item under the industrial mobilization program.

Comments

Concern has been expressed by several agencies (Treasury, Energy, OMB, OPM) about the issue of using DPA authorities. Their concerns are:

- It is inconsistent with the Administration's free market policy;
- "subsidies" could result in "bailing out" industries that are experiencing financial difficulties;
- subsidies/incentives could result in increased Federal costs.

The Treasury Department's view is that subsidization is "so contrary to Administration policy" that the policy statement should be written more tightly to prohibit subsidies explicitly or limit them to very exceptional situations. Treasury also observes that to date no exceptions to the anti-subsidy policy have been granted.

Subsidizing private industry for social or economic reasons is beyond the purview of this policy statement on emergency mobilization preparedness. The policy statement is not intended to address that kind of government action.

It would not be prudent to preclude the Government from paying for national security capability obtained from the private sector. The outright purchase of a tank, plane, or ship for the Department of Defense is not considered a subsidy. The Government pays for what it gets. Similarly, if the Government

wants the private sector to operate inefficiently or maintain excess capacity to meet national security needs, the Government should pay for what it gets. The Government is deregulating industry and adopting a free-market policy. It is possible that the products and procedures of industry under a free-market philosophy will not provide adequately for national security. The Government might want the airlines to use cargo aircraft which are useful for military purposes, but are not the most efficient for operations in a free market. The Government might want, for national security purposes, more domestic production of a particular mineral than the free market would support. The Government might want to have an excess tank production capacity, of no use in a free market in peacetime, but which would be needed immediately in a mobilization. The Government will most likely have to pay the marginal cost of these national security capabilities, whether in the form of a direct payment, a low interest loan, or a tax benefit. In each case, the Government is merely paying for something--extra emergency mobilization capability--it wants.

It is reasonable to provide for appropriate use of the DPA to improve private industry's capability for emergency mobilization preparedness. However, each case should be examined on its merits. The use or non-use of the DPA in a particular instance should be based on the need and the cost of the particular capability under consideration. Accordingly, the policy statement should be permissive on this matter. Furthermore, each DPA project should be reviewed by OMB, the NSC, and the Congress before it is accomplished.

The following Agencies are in favor of retaining the potential use of DPA authorities to stimulate the national security capability of private industry: Defense, Commerce, Interior, Transportation, Agriculture, Joint Chiefs of Staff, and FEMA. Transportation holds that peacetime economy may not always be capable of meeting critical defense needs, particularly when these needs are unique to the defense program. Moreover, Transportation feels that the national policy statement is clear that primary reliance will be on the free market. This appears also to be the rationale for the positions of the other Agencies favoring a permissive policy.

The President's National Materials and Minerals Policy (NMMP) also makes the point that the Administration is undertaking a review of strategic stockpile policy to determine whether it would be more cost-effective to use DPA incentives than to purchase materials for the stockpile. Thus, the Administration policy, as expressed in the NMMP, does recognize use of DPA incentives when they are determined to be cost effective in supporting national security objectives.

This issue needs to be resolved before the policy statement can be promulgated.

Recommendation

If it is decided that the policy statement should preclude the use of DPA authorities, the policy statement will have to be changed accordingly. Agencies and Working Groups also will have to be informed that DPA authorities may not be utilized even in the interests of national security.

If the decision is that appropriated use of DPA authorities on a case-by-case basis is permitted, the policy statement will not have to be revised. The current policy statement says only that the government would use DPA authorities only if they are appropriate. Approval of the current language would not result in these capabilities being used automatically.

MAY 11 1982

MEMORANDUM FOR: EDWIN E. HARPER
ASSISTANT TO THE PRESIDENT FOR POLICY DEVELOPMENT, AND
BOARD MEMBER

FROM: Bennett L. Lewis
Executive Secretary

SUBJECT: National Policy Statement on Emergency
Mobilization Preparedness

At the Board meeting on March 31, 1982 an issue was raised concerning the absence, in the draft national policy statement, of a statement of principle regarding the role of State and local governments in peacetime.

The issue was raised by Donald Devine, Director of the Office of Personnel Management who was concerned with the elimination of a domestic emergency principle which had appeared in the second draft:

"Preparedness measures must reflect the gradual realignment of responsibilities from the Federal to State and local governments, and assist these jurisdictions in the development of capabilities to handle these new responsibilities."

His concern was compounded because he believes that the principle should be even stronger in order to express the President's federalism policy. Mr. Devine proposes that the principle should be placed in the first position and read as follows:

"Peacetime preparedness measures must reflect the primary place of State and local governments, in the Federal system for peacetime emergencies, and provide for a program of gradual realignment of responsibilities from the Federal to State and local governments, and for the Federal Government to assist these jurisdictions in the development of capabilities to handle these new responsibilities."

The principle had been deleted from the draft at the request of George Keyworth, Director of the Office of Science and Technology Policy. Mr. Keyworth indicated that the principle (as it appeared in the second draft) was not clearly understood, for in the entire content of the draft there was no reference to the transfer of new responsibilities from the Federal Government to the State and local level. He said that if the principle referred to a potential transfer of some responsibilities under the President's "new Federalism" concept, he urged caution in consideration of the difficulties expressed by the States. He thought it might be premature to include it in a National Security Decision Directive when in fact the responsibilities to be transferred have not been articulated.

This issue is one that must be resolved prior to preparation of the final draft. At the April 28th Board meeting the Acting Chairman asked that your opinion be sought before a final decision is made. Accordingly, it is requested that you give this issue consideration and transmit your opinion to us at the earliest possible time as the Secretariat is in the final stages of the statement revision.

cc:
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THE WHITE HOUSE

WASHINGTON

May 18, 1982

FOR: BENNETT L. LEWIS
Executive Secretary,
Emergency Mobilization Preparedness Board

FROM: MICHAEL M. UHLMANN
Special Assistant to the President,
Office of Policy Development

SUBJECT: National Policy Statement on Emergency
Mobilization Preparedness

Ed Harper has asked me to respond to your May 11 memorandum requesting his views on the draft national policy statement.

Generally, we believe that the draft should include a statement regarding the role of State and local governments in peacetime. In this regard, we would prefer Donald Devine's language over that originally contained in the second draft.

We suggest the following as another possibility:

"Preparedness measures must reflect the respective roles of the Federal, State, and local governments under the Federal structure of our Constitution. In peacetime, principle responsibility for emergencies lies with the State and local governments, and preparedness measures must provide for gradual realignment of responsibilities from the Federal to State and local governments and must assist those jurisdictions in the development of capabilities to handle these responsibilities."

cc: Edwin L. Harper

IMPLEMENTATION MEASURES which will be distributed as a memorandum from the Chairman to the Working Group Chairmen for use in preparation of the Plan of Action:

Military Mobilization

The implementation measures that correspond to the programs are as follows:

- develop, maintain, and exercise plans, procedures, or other peacetime actions to ensure the availability of resources necessary for the implementation of military mobilization (continuous);
- develop plans and procedures for the rapid enhancement of the combat readiness of existing forces (FY 83);
- develop and maintain plans and procedures for the deployment of forces to theaters of operations (FY 83);
- develop a system for military support to civil authority (continuous); and
- identify and coordinate military mobilization support programs of all Federal Agencies (FY 83).

Industrial Mobilization

The implementation measures that correspond to these programs are as follows:

- develop plans and procedures for determining industrial capability to meet current and mobilization requirements for defense and essential civilian needs (FY 83);
- assess industrial output and capacity of essential industries to reveal deficiencies in capabilities to accommodate mobilization requirements (FY 83);
- develop policy options to improve the capability of industry to respond to emergencies which will include:
 - new or revised legislation and Executive Orders,
 - stockpiling policy and program initiatives,
 - voluntary industry actions,
 - revisions of policies and regulations that impact upon industrial productivity,
 - international trade agreements,
 - improved effectiveness of the Defense Materials System and the Defense Priorities System, and
 - more extensive use of the Defense Production Act of 1950, the Export Administration Act of 1979, the Trade Expansion Act of 1962 and other legislation (FY 84).

Human Resources

The implementation measures that correspond to these programs are as follows:

- develop plans for information systems essential to identify skills needed for emergency mobilization tasks and potential supply problems (FY 83);
- develop plans for priority and allocation systems that ensure needed quantities and quality of workers for the Armed Forces, critical industries, mobilization tasks, and occupations (FY 84);
- develop plans for resolution of labor-management disputes (FY 84);
- develop plans and procedures for enhancing the human resources base. This encompasses education, training, and retraining objectives particularly for highly skilled and professional and technical occupations (FY 85); and
- prepare plans and procedures that will enhance the human resources aspects of overall economic stabilization plans (FY 85).

Health

The implementation measures that correspond to these programs are as follows:

- develop plans to increase availability of Federal and private sector health care personnel in an emergency (FY 83);
- establish plans to increase availability of necessary medical supplies and equipment in an emergency (FY 83);
- develop plans for improved utilization of existing medical facilities to cover emergencies (FY 83);
- prepare plans to provide improved measures to prevent epidemics or other threats to the public health caused by major emergencies (FY 83);
- develop plans for public information and professional education (FY 83);
- develop systems for improved interagency coordination and communications on health related matters (FY 83);
- develop plans and systems for emergency medical transportation (FY 83); and

- develop plans and systems to ensure reimbursement by the Federal government of health care services provided by the private sector to casualties of major emergencies (FY 83).

Economic Stabilization and Public Finance

The implementation measures that correspond to these programs are as follows:

- review and revise the Draft Defense Resources Act (DDRA) and other authorities, both draft and existing, for direct and indirect controls on prices, wages, salaries and rents, the rationing of consumer goods and emergency banking measures in the event of a national defense emergency; and review, revise or initiate authorities for direct and indirect controls as may be required in the event of other major emergencies (FY 82); and develop plans for the implementation of these authorities (FY 83);
- review existing authorities for emergency foreign trade controls and, as may be necessary, revise existing authorities or propose new or supplemental authorities (FY 82); and develop plans for the implementation of these authorities (FY 83);
- assess the types of emergency public finance measures, revenue-raising powers, and payment mechanisms that would be suitable for the full range of national emergencies requiring such measures; review the authorities for such measures (including the DDRA, other draft authorities and existing law), propose new authorities as required (FY 82); and develop plans for their implementation (FY 83); and
- investigate and make recommendations concerning the need for investment in facilities which will enhance the survivability of important financial records, the Nation's gold stock and supplies of currency and coin, and maintenance of a functioning electronic financial transfer system and other computer facilities (FY 83); and initiate appropriate action, as may be required, for undertaking the physical investment required for this protection and for managing a protection program (FY 84/85).

Civil Defense

As detailed in NSDD-26

Earthquakes

The implementation measures that correspond to these programs are as follows:

- evaluate future basic and applied research needs in earthquake prediction and mitigation (FY 83);
- enhance the earthquake prediction and mitigation measures (FY 85);
- improve scientific and engineering mitigation capabilities (FY 85);
- continue formal coordination with State of California authorities;
- evaluate current level of federal earthquake preparedness and response capability (FY 84);
- develop Federal earthquake mitigation and response plans including resource identification (FY 84);
- assess the implication of earthquake hazards on defense and national security requirements (FY 84);
- develop an improved public awareness program for all levels of the populace emphasizing survival (FY 84);
- continue to promote international cooperation to increase scientific and engineering knowledge as to prediction and mitigation measures;
- establish procedures for the preparation, implementation, and exercising of preparedness and response plans (FY 85); and
- conduct a legislative and regulatory review (FY 83).

Government Operations

The implementation measures that correspond to these programs are as follows:

- develop plans for the rapid and efficient transition of government from routine to emergency operations (FY 83);
- develop plans for the reconstitution of the Federal government following nuclear attack or other catastrophic emergencies (FY 84);
- ensure preservation of emergency authorities and functional responsibilities of any Federal agency proposed for termination (FY 82); and

- review current government emergency authorities and organizational structures, and based thereon recommend new or revised policies, authorities, or organizations as required (FY 83).

Emergency Communications

The implementation measures that correspond to these programs are as follows:

- identify and prioritize national security and domestic emergency telecommunications requirements (FY 82);
- evaluate the Nation's telecommunications systems, identifying and prioritizing emergency telecommunications preparedness issues (FY 82);
- identify deficiencies between existing capabilities and anticipated needs and develop corrective approaches, including funding (FY 83);
- establish a joint planning effort to initiate a series of government and industry conferences to identify ways of accomplishing specific emergency telecommunications preparedness objectives (FY 83);
- recommend necessary legislative changes and incentive approaches to assist government and industry in mobilization planning and in improving the survivability of the Nation's telecommunications capabilities (FY 83);
- establish an emergency telecommunications planning process and provide a basis for funding the implementation and operation of emergency telecommunications capabilities involving both government and the civil sector (FY 83);
- develop a smooth, effective process for shifting telecommunications from a non-emergency to an emergency status (FY 83); and
- identify issues and prepare an implementation plan to address non-electronic postal requirements (FY 83).

Law Enforcement and Public Safety

The implementation measures that correspond to these programs are as follows:

- identify existing resources, plans, programs and interagency agreements among Federal, state and local agencies (CY 82);
- determine whether additional resources, plans, programs and interagency agreement are required to ensure timely response (FY 83);

- determine whether existing laws, presidential directives or executive orders are adequate to meet the needs of the program, and if not, draft new authorities (FY 85); and
- determine whether existing treaties and other agreements with Canada and Mexico are adequate to meet the needs of the program, and if not, draft new ones (FY 84).

Food and Agriculture

The implementation measures that correspond to these programs are as follows:

- develop proposed legislation to provide efficient mobilization capabilities (FY 83/85);
- establish regulations and procedures based on emergency mobilization legislation (FY 85);
- establish emergency food allocation plans (FY 84); and
- establish alternate inspection and grading procedures for raw, semi-processed and processed food and fiber (FY 85).

Social Services

The implementations measures that correspond to these programs are as follows:

- develop plans to assure timely and effective Federal support for state and local governments and the private sector in the provision of social services during major emergencies (FY 83);
- prepare plans to stimulate additional private sector involvement in provision of emergency social services (FY 83);
- initiate plans for providing specialized social services necessitated by emergencies (FY 83);
- develop plans to ensure maintenance of existing federal, state and local, and private social service programs during emergencies (FY 83);
- prepare plans to receive and help resettle persons evacuated from overseas during an emergency (FY 83); and
- develop an Emergency Social Services Mobilization and Delivery System (FY 84).

