

Originally Processed With FOIA(s):
2009-0166-S

FOIA Number:
2009-0166-S

FOIA MARKER

**This is not a textual record. This is used as an
administrative marker by the George Bush Presidential
Library Staff.**

Record Group/Collection: George H.W. Bush Presidential Records
Collection/Office of Origin: Office of the President
Series: Daily Files
Subseries:

OA/ID Number: 90509
Folder ID Number: 90509-011

Folder Title:
Thursday, May 4, 1989

Stack:	Row:	Section:	Shelf:	Position:
V	12	11	2	3

Withdrawal/Redaction Sheet (George Bush Library)

Doc. No. / Type	Subject/Title	Date	Restriction	Classification
01. Log	White House Telephone Log [E.D.T.] [redaction of personal information] (1 pp.)	05/04/89	(b)(6)	
02. Note	From President Bush to Brent Scowcroft Re: Arafat (1 pp.)	05/04/89	(b)(1)	
03a. Talking Points SNF (1 pp.)		n.d.	(b)(1)	
03b. Talking Points Possible Questions at Bush/Mulroney "Scrum" (1 pp.)		05/04/89	(b)(1)	

Page 1 of 1

Collection:

Record Group: Bush Presidential Records

Office: Office of the President

Series: Daily Files

Subseries:

WHORM Cat.:

File Location: Thursday, May 4, 1989

Pinksheet Number: dw1316

OA/ID Number: 90509-011

Date Closed: 4/16/2009

FOIA/Sys Case #: 2009-0166-S

Re-review Case #:

P-2/P-5 Review Case #:

Withdrawal/Redaction Sheet

(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
01. Log	White House Telephone Log [E.D.T.] [redaction of personal information] (1 pp.)	05/04/89	(b)(6)	

Collection:

Record Group: Bush Presidential Records
Office: Office of the President
Series: Daily Files
Subseries:
WHORM Cat.:
File Location: Thursday, May 4, 1989

Date Closed: 4/16/2009	OA/ID Number: 90509--011
FOIA/SYS Case #: 2009-0166-S	Appeal Case #:
Re-review Case #:	Appeal Disposition:
P-2/P-5 Review Case #:	Disposition Date:
AR Case #:	MR Case #:
AR Disposition:	MR Disposition:
AR Disposition Date:	MR Disposition Date:

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 the 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]

C. Closed in accordance with restrictions contained in donor's deed of gift.

PRM. Removed as a personal record misfile.

Freedom of Information Act - [5 U.S.C. 552(b)]

(b)(1) National security classified information [(b)(1) of the FOIA]
(b)(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
(b)(3) Release would violate a Federal statute [(b)(3) of the FOIA]
(b)(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
(b)(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
(b)(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
(b)(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
(b)(9) Release would disclose geological or geophysical information

E.D.T.

MAY 4

. 19⁸⁹

[illegible]

E.D.T

THE WHITE HOUSE

WASHINGTON

TELEPHONE MEMORANDUM

MAY 4

, 19⁸⁹

PRESIDENT

	TIME		NAME	ACTION
	PLACED	DISC		
OUT	AM		CONG. TONY COELHO OFC: WASHINGTON, D.C. 225-3130	ON SOUTH GROUNDS TOLD BRIDGET MONTAGNE TLKD-OK 5:35PM
INC	2:17 PM	5:36		
OUT	AM			
INC	PM			
OUT	AM		FREDERICK D. McCLURE WASHINGTON, D.C. WHITE HOUSE ADMIN. X6508	OUT OF OFC WILL LOCATE L.W. PRESUS TLKD-OK 5:40PM
INC	5:39 PM	5:42		
OUT	AM			
INC	PM			
OUT	AM		RICHARD G. DARMAN OFC. WASHINGTON, D.C. WHITE HOUSE ADMIN. X820	TLKD-OK
INC	5:43 PM	5:49		
OUT	AM			
INC	PM			
OUT	AM		CONG. LEON F. PANETTA OFC: WASHINGTON, D.C. 225-2861	ENROUTE TO OFC. L.W. TOLD PRESUS TLKD-OK 5:55PM
INC	5:47 PM	5:56		
OUT	AM			
INC	PM			
OUT	AM		CONG. BILL FRENZEL OFC: WASHINGTON, D.C. 225-2871	TLKD-OK
INC	5:49 PM	5:50		
OUT	AM			
INC	PM			
OUT	AM		DR. BURTON LEE OFC: WASHINGTON, D.C. WHITE HOUSE ADMIN X797	TLKD WITH GOV. SUNUNU TRANSFERRED TO PRESUS TLKD-OK 6:16PM
INC	6:12 PM	6:17		

THE WHITE HOUSE

WASHINGTON

TELEPHONE MEMORANDUM

SIGNAL SWITCHBOARD

May 4, 19 89

	TIME		NAME	ACTION
	PLACED	DISC		
OUT	AM		No Calls	
INC	PM			
OUT	AM			
INC	PM			
OUT	AM			
INC	PM			
OUT	AM			
INC	PM			
OUT	AM			
INC	PM			
OUT	AM			
INC	PM			
OUT	AM			
INC	PM			
OUT	AM			
INC	PM			
OUT	AM			
INC	PM			
OUT	AM			
INC	PM			

THE WHITE HOUSE

WASHINGTON

1989 MAY -4 AM 11:57

RECOMMENDED TELEPHONE CALL BY THE PRESIDENT

TO: Congressman Henry Gonzalez (D-TX)

DATE: May 4, 1989

RECOMMENDED BY: Frederick D. McClure *FM*

PURPOSE: To thank the Congressman for his hard work in steering the Administration's S & L proposal, H.R. 1278, through the Banking Committee, and to encourage Congressman Gonzalez to move it to the House floor as soon as possible.

BACKGROUND: H.R. 1278 was passed by the House Banking Committee Tuesday, after two weeks of debate. It passed the Senate two weeks ago, and could move to the House floor in the next two weeks, and possibly through the Conference by Memorial Day.

KEY POINTS: See Attachment.

DATE OF SUBMISSION: May 4, 1989

ACTION:

Tried Fidos

4 " sat 9 AM - (travelling)

" Monday AM

Finally wrote Note - Monday PM

Presidential Phone Calls



DATE: 5-4

TIME: 5³⁵
incoming/outgoing

WITH: Coelho

SUBJECT: Disabilities Bill - and vetoing
Michael. Harkin from
appearing

Doesn't want ceremony
when Harkin gets Bill

at
Phyllis said we things
you - BPB doing a lot

Hope you're for Bill

FOLLOW UP: Don't want you to
come out as not for
disabilities -

This is bad - Harkin
(schoed by Tanke)

Presidential Phone Calls



DATE: 5-4 TIME: 5 50
incoming/outgoing

WITH: Leon Panetta

SUBJECT: To call to thank on
Budget Res.

63% on each side
was fine

LP step in right direction

GA Now we must look to
next steps

FOLLOW UP: _____

Finally call

Bush Presidential Library Photocopy

Presidential Phone Calls



DATE: 5-4-89 TIME: 5:40
incoming/outgoing

WITH: Frenzel, Panetta -

SUBJECT: From Dawson - results of vote:
Total 263-157 Nay

Repub. - 106 yes 61 no

Dem 167 97 no

Called to thank em

"had a good day"

similar to Senate Bill

so easy to confer

FOLLOW UP:

GB important step"

N.B. Frenzel - very happy

THE WHITE HOUSE

WASHINGTON

1989 MAY -6 AM 11:57

RECOMMENDED TELEPHONE CALL BY THE PRESIDENT

TO: Congressman Chalmers Wylie (R-OH)

DATE: May 4, 1989

RECOMMENDED BY: Frederick D. McClure *FM*

PURPOSE: To thank the Congressman for his hard work steering the Administration's S & L proposal, H.R. 1278, through the Banking Committee, and to encourage Congressman Wylie to assist in moving it to the House floor as soon as possible.

BACKGROUND: H.R. 1278 was passed by the House Banking Committee Tuesday, after two weeks of debate. It passed the Senate two weeks ago, and could move to the House floor in the next two weeks, and possibly through the Conference by Memorial Day.

KEY POINTS: See Attachment.

DATE OF SUBMISSION: May 4, 1989

ACTION:

- 11 52
-
- ① "surprised" with call
- ② Hung B - I know friends over this
- ③ try for modified closed rule
- ④ "might talk to Tim Wright so as to avoid amendments"
- ⑤ "congrats to you for getting it forward"

ATTACHMENT

TALKING POINTS

- Congratulations on reporting out the S&L bill Tuesday night. Thanks for moving it along.
- Thanks for help in insuring that the House bill has such tough capital requirements. These requirements are critical in insuring that the problem won't be repeated in the future.
- Now that Committee process is complete, it is important to get the bill to the floor and into conference as soon as possible.
- Assuming the Ways and Means Committee moves quickly, hopefully you can bring the bill to the floor the week of May 15.
- If that is possible, the bill might get through Conference and down here for me to sign before Congress breaks for Memorial Day on May 25.
- I realize that's very optimistic and aggressive, yet with your help we might just be able to get that done. As you know, every day of delay costs taxpayers millions of dollars.
- My staff and I are committed to work with you to meet this schedule so that we can get this problem behind us.



SCHEDULE OF THE PRESIDENT

Thursday, May 4, 1989

7:45 am (15 min)		<u>Intelligence Briefing</u> (Scowcroft/Sununu)	Residence
8:00 am (60 min)	B	<u>Breakfast with Religious Leaders</u> (Demarest)	Residence (TAB A)
9:00 am (15 min)		<u>National Security Briefing</u> (Scowcroft/Sununu)	Oval Office
9:15 am (45 min)		<u>Meeting with House Republican Whip Organization</u> (McClure) <i>OP/WP</i>	Cabinet Room (TAB B)
10:00 am (15 min)		<u>Personal Staff Time</u>	Oval Office
10:15 am (5 min)		<u>Photo with Winners of the National Bicentennial Competition on the Constitution and the Bill of Rights</u> (Demarest) <i>Stills</i>	Roosevelt Room (TAB C)
10:30 am (10 min)		<u>Drop by New Jersey Governor's Club "Committee of One Hundred" Briefing</u> (Wray)	450 OEOB (TAB D)
10:45 am (45 min)		<u>Personal Staff Time</u>	Oval Office
11:30 am (60 min)		<u>Meeting with Canadian Prime Minister Mulroney</u> (Scowcroft) <i>OP/WP</i>	Oval Office (Distributed Separately)
12:30 pm (75 min)	B	<u>Luncheon with Prime Minister and Mrs. Mulroney</u> (Scowcroft) ✓	Residence (TAB E)
1:45 pm (15 min)		<u>Personal Staff Time</u>	Oval Office
2:00 pm (45 min)		<u>Meeting with Secretaries Baker and Cheney</u> (Scowcroft)	Oval Office (Distributed Separately)



2:45 pm
(1 hr 10 min)

Personal Staff Time

Oval Office

3:55 pm
(5 min)

Photo with P. J. Morgan, Republican
Nominee for Mayor of Omaha, Nebraska
(Wray) (TAB F)

Oval Office

4:00 pm
(30 min)

Congressional Hour
(McClure) (TAB G)

Oval Office

4:30 pm
(15 min)

Personal Staff Time

Oval Office

4:45 pm
(15 min)

Meeting with Governor Sununu

Oval Office

7:45 Gates, Scowcroft + Briefers in 2nd Flr Res. office 7:48 add Sununu
8:00 Conclude Brief; w/ Mrs. Bush to State Dining Rm. 8:01 am State Dining Rm - Prayer breakfast
8:41 Pater remarks 8:51 conclude remarks 8:53 dpt State Flr 8:54 arr S. lawn - to see puppies
9:02 Proceed to Oval w/ Bst guests
9:03 arr Oval off. add Gates, Scowcroft + Sununu 9:18 all out 9:22 Pater to Calvin Rm
9:56 Pater to S. grounds w/ Whip Organization - official photo 10:03 Pater to Oval w/ Cong. Snowe
+ Congresswoman _____
10:03 Congresswoman dpt 10:04 Pater to S. lawn to join Mrs. Bush, Mrs. Mulroney + Mrs. Burney
and puppies (amb. wife)
10:11 Pater to Oval alone 10:14 Pater to Roosevelt Rm. - photo w/ Bi-cent winners
10:17 Pater and winners to S lawn through Oval office - shows kids puppies
10:23 Pater leaves group - arr Oval alone 10:29 add Andy Card + dpt Oval
10:32 arr Rm 450 OEOB 10:35 announced into Rm 450 10:37 Pater remarks
10:50 conclude remarks 10:51 dpt Rm 450 10:55 arr Oval 10:57 add Harleen Breau
11:05 Harleen Breau out 11:10 Sununu ~~in~~ 11:20 Sununu out 11:23 add Bates, Gates
Scowcroft
11:26 add Fitzwater 11:30 add Mulroney et al 12:33 P.M. Mulroney + Pater to S. lawn
into oval
12:40 P.M. Mulroney + Pater arr 2nd Flr Res. join Mrs. Bush + Mrs. Mulroney (lunch on Truman Balcony)
UNP 05/03/89
1:40 Mrs. Bush dpts White House 1:43 Pater, PM + Mrs. Mulroney 4:00 pm
to Dip Entrance; join both official parties
1:51 Pater, PM Mrs. ~~Bush~~ ^{Mulroney} to S. lawn
for press availability 2:18 Conclude press availability. bid farewell to
PM + Mrs. Mulroney
2:20 Pater dpt 2:23 arr lawn near oval w/ Cheney Scowcroft + Baker
Pose for photo

2:23 Patus, others to Oval; add Webster, Adm. Crowe

2:54 Crowe, Baker, Webster out 2:55 Annunzio bats, Scowcroft out

2:56 Cheney out 2:57 Annunzio into Oval 3:00 Annunzio out

3:01 Annunzio into Oval 3:04 add Fitzwater 3:12 add Scowcroft

3:18 Fitzwater out 3:20 Scowcroft out 3:21 Annunzio out

PRESIDENTIAL MOVEMENTS

LOCATION Washington, D.C.

DATE 4 May 1989

TIME	MOVEMENTS
0804	State Dining Room
0854	South Grounds
0904	Oval Office
0922	Cabinet Room
0958	South Grounds
1002	Oval Office
1007	South Grounds
1010	Oval Office
1016	Roosevelt Room
1019	South Grounds
1023	Oval Office
1034	Room 450, Old Executive Office Building
1056	Oval Office
1236	South Grounds
1241	Residence
1347	Diplomatic Reception Room
1353	South Grounds
1646	Oval Office Study
1657	Oval Office
1704	South Grounds
1728	Residence
2110	South Grounds
2119	Residence

Thursday, May 4

6:05 Mrs. Bush to the South Grounds
6:10 Breakfast for President and Mrs. Bush
6:14 Mrs. Bush to the Second Floor
7:32 Patty Presock to the Second Floor 8:00 down
7:46 Senior Staff to the Second Floor for the President
7:40 Guests arrive State Floor for Breakfast with Religious 71
Leaders/National Prayer Day
8:02 The President to State Dining Room
8:05 Breakfast is served
8:58 The President and Guests to the South Portico to view
the Puppies
8:59 Mrs. Bush to the Second Floor
9:03 The President to the Oval Office, Guests depart via
South Grounds
9:33 Yves and Nancy Graux, Justine Tarosky to the Second Floor
10:02 Mrs. Mulroney arrives South Grounds
10:05 Mrs. Bush greets Mrs. Mulroney in the Diplomatic Reception
Room, they depart South Grounds, out locally to Parklawn
Elementary School in Alexandria, VA
11:50 Mrs. Bush and Mrs. Mulroney arrive South Grounds
12:05 Mrs. Bush and Mrs. Mulroney to the Third Floor
1:45 Mrs. Bush departs residence en route Dallas,
Texas with the first of Millie's puppies to leave
the litter
1:47 The President and Prime Minister Mulroney,
accompanied by Mrs. Mulroney, to Diplomatic
Reception Room
5:04 The President to the South Grounds
5:26 The President to the Second Floor
6:35 Guests for the Congressional Cocktail Party to the
Second Floor (42 Guests)
8:15 Reception guests depart the Residence
9:05 The President to the South Grounds
9:20 The President to the Second Floor
9:30 Retired



News Summary

OFFICE OF THE PRESS SECRETARY

THURSDAY, MAY 4, 1989 -- 6 a.m. EDT EDITION

TODAY'S HEADLINES

INTERNATIONAL NEWS

President Adamant On Missile Talks -- President Bush yesterday rebuffed a West European leader's appeal for compromise on NATO's dispute over short-range missiles even as prominent Washington figures on defense and arms control sharply criticized Bush's strongly worded views on the issue.
(Washington Post, AP, Scripps Howard)

Senators Express Concern About West German Position On Missiles -- Senators said Wednesday that if West Germany pushes for removing short-range nuclear missiles from its soil, the U.S. might reconsider its commitment to having many troops stationed in Europe. (AP)

NATIONAL NEWS

Antitrust Shift Will Be Proposed To Aid TV Effort -- The Bush administration is preparing to propose a major relaxation of antitrust laws, with the goal of permitting companies like Motorola, AT&T and IBM to work together to produce high-technology equipment, starting with high-definition television sets.
(New York Times)

NETWORK NEWS (Wednesday evening)

NATO/SHORT-RANGE MISSILES -- President Bush said Wednesday the U.S. will not negotiate on the issue of short-range nuclear missiles in Europe.

EDUCATION -- The government sent home its annual report card on education Wednesday. The grades were not very good.

DRUGS -- Drug Czar Bennett sounded a warning to drug users Wednesday.

INTERNATIONAL NEWS...A-2

NATIONAL NEWS.....A-9

NETWORK NEWS.....B-1

INTERNATIONAL NEWS

PRESIDENT ADAMANT ON MISSILE TALKS

President Bush yesterday rebuffed a West European leader's appeal for compromise on NATO's dispute over short-range missiles even as prominent Washington figures on defense and arms control sharply criticized Bush's strongly worded views on the issue.

Bush took his stand in an hour-long meeting with Norwegian Prime Minister Gro Harlem Brundtland, one of several NATO leaders seeking a way to accommodate West Germany's demand for East-West negotiations on short-range nuclear missiles. Bush told Brundtland, according to the White House, that such negotiations "would be a mistake." ...

[Meanwhile, former senior U.S. arms control adviser Paul Nitze told The Washington Post that] the current U.S. policy of favoring modernization [of the missiles] without negotiations...is not supported by Belgium, Norway or the Netherlands and "it isn't really supported by the French. The only people who really support it are the United States and (British Prime Minister) Thatcher," [said Nitze].

(Don Oberdorfer & Ann Devroy, Washington Post, A1)

Bush Rules Out Talks With Soviets Over Short-Range Nuclear Missiles

President Bush ruled out negotiations with the Soviet Union on short-range nuclear missiles Wednesday and the White House portrayed his disagreement with West German Chancellor Kohl as a sign of NATO's vitality....

Stating Bush's position, White House spokesman Marlin Fitzwater said NATO must retain battlefield nuclear missiles to have a flexible deterrence against Soviet aggression.

"We realize there are political pressures in Germany that the chancellor must be sensitive to," Fitzwater said. "We realize there are differences of opinion among other members of the alliance, and we think it's a strength of the alliance that those opinions can be allowed to flourish."

(Barry Schweid, AP)

Bush Lobbies NATO Members To Hang Tough On Short-Term Nukes

The Bush administration is not at all certain it can win what it considers a critical NATO debate on short-range nuclear missiles in Europe, the White House said Wednesday....

Spokesman Marlin Fitzwater said the debate on whether to negotiate [removal of the missiles with the Soviets], to take place at NATO's 40th anniversary meeting in Brussels in late May, has "a lot of very significant ramifications" for Western security.

He said the administration is unable to "forecast the outcome."

"The fact is, we expect to be discussing this for some time, and we'll see how it goes," he added.

(Ann McFeatters, Scripps Howard)

SENATORS EXPRESS CONCERN ABOUT WEST GERMAN POSITION ON WEAPONS

Senators said Wednesday that if West Germany pushes for removing short-range nuclear missiles from its soil, the U.S. might reconsider its commitment to having many troops stationed in Europe.

Members of the Senate Armed Services Committee told Defense Secretary Cheney they had serious concerns about West German positions favoring a delay in modernization of the weapons and urging U.S.-Soviet negotiations to scale back the short-range rockets....

"I think if the West German people have come to the conclusion they can place more faith and reliance on Gorbachev's words and assurances than they can upon sound NATO strategy, then it would be very difficult for me to continue to commit the size of the forces we have in Europe under those circumstances," said Sen. Cohen.

Sen. Gorton said that if the missiles are eliminated and the 324,000 U.S. forces are put at risk, the administration's policy should be "that a substantial percentage of troops be brought home and we allow West Germany greater responsibility of their defense." (Donna Cassata, AP)

NATO 'SHOOTING ITSELF IN THE FOOT,' NUNN SAYS

Senator Urges Bush To Compromise With Bonn

Chairman Nunn of the Senate Armed Services Committee Wednesday joined critics of President Bush's arms-control policies, declaring that NATO is "shooting itself in the foot" over the issue of short-range nuclear missiles and suggesting a way to break the impasse between the U.S. and West Germany.

The influential chairman urged the administration to bow to Bonn's demands and negotiate mutual U.S.-Soviet reductions in short-range nuclear weapons, providing West Germany moves ahead with plans to update the Lance missile in the meantime.

He also proposed that NATO's short-range nuclear missiles...not be reduced in Europe until conventional forces on each side of the East-West line were brought down to an acceptable balance.

Adm. William Crowe, chairman of the Joint Chiefs of Staff, told Nunn: "I would have no problem whatsoever" with such a three-track approach. But he said he doubted that West European allies would agree to making reductions in short-range missiles contingent on mutual NATO-Warsaw Pact reductions in...conventional weapons.

(George Wilson, Washington Post, A30)

OFFICIALS TRY TO SOOTHE CONGRESS ON FSX

3 Insist That U.S. Interests Will Be Protected In Deal With Japan

Three top administration officials [Commerce Secretary Mosbacher, Defense Secretary Cheney and Deputy Secretary of State Eagleburger] assured jittery lawmakers Wednesday that a deal to jointly design and produce with Japan a new generation fighter plane, the FSX, is in America's best strategic and economic interest....

"In clarifying the terms of the FSX codevelopment with Japan, we have found it possible to proceed with defense cooperation without compromising our economic security," Mosbacher told a packed House Foreign Affairs Committee hearing....

"I am convinced that the codevelopment of the FSX is not in America's national interest," said Rep. Levine, lead sponsor of a House disapproval motion filed Tuesday.

(Stuart Auerbach, Washington Post, A6)

-more-

NAVY SECRETARY NOMINEE VOWS TO HOLD DOWN AT SEA TIME

Navy Secretary-nominee Lawrence Garrett promised Wednesday to maintain the current limits on the length of ship deployments despite a reduction of warships but conceded that would reduce the Navy's ability to meet its strategic commitments....

He noted that Defense Secretary Cheney has instructed the Navy to hold to its self-imposed limit of six-month deployments and a ratio of two days in port for every day at sea, despite the reduction in active warships.

When asked what that would do to the Navy's ability to meet its commitments, Garrett said, "We will reduce coverage."

(Otto Kreisher, Copley)

CHENEY BACKPEDALS FROM STATEMENT

Defense Secretary Cheney, backpedaling [from his statements of last week] a bit, said Wednesday that there is no "significant difference" between his and President Bush's views on the prospects for Soviet President Gorbachev's reform efforts....

Testifying before the Senate Armed Services Committee...Cheney said that he spoke last week "perhaps with more candor than was warranted."

Cheney said that his views remain "somewhat pessimistic" about Gorbachev's prospects, while Bush has expressed hope that the Soviet leader's reform program will succeed.

"We don't see those as conflicting or contradictory statements," Cheney said.

(John Broder, Los Angeles Times)

U.S. POLICY ON ARMS TALKS: CONTINUITY

Secretary of State Baker will inform Soviet leaders next week that the U.S. will stick with the basic framework of the strategic-arms treaty as negotiated under President Reagan, administration officials said Wednesday.

"What they are going to hear basically is continuity," a senior administration official said in describing what Baker was likely to tell the Russians when he goes to Moscow on Wednesday. "There is not going to be any basic overhaul of the START framework."

(Thomas Friedman, New York Times, A3)

SOVIETS DRAFT NEW LAWS LETTING UNIONS STRIKE

Labor Chided For Neglecting Workers' Rights

In an ideological break with the past, the Soviet Union has drafted new laws permitting labor unions greater independence from the government and the right to strike in some instances, according to a leading official.

Stepan Shalayev, an authoritative figure in the Soviet labor union establishment, said in an interview published in today's issue of the daily labor newspaper Trud that unions would also take on a more independent character in the near future as part of President Gorbachev's overall plan of economic reform....

While Shalayev said that strikes "should not be considered a normal phenomenon in our society," unions will be permitted to stop work in "exceptional cases." The draft law stipulates that union committees can declare a strike when "management does not live up to an agreement that has been reached."

(David Remnick, Washington Post, A25)

-more-

AUSTRALIAN OUTRAGE OVER U.S. WHEAT SALES TO SOVIET UNION

SYDNEY -- Australian wheat farmers and politicians expressed outrage Thursday over a U.S. decision to sell 1.1 million metric tons of subsidized wheat to the Soviet Union.

They called on Prime Minister Hawke to send a parliamentary delegation or to fly himself to Washington to register Australia's protest with President Bush.

"[Vice President] Quayle insulted us when he refused to acknowledge their subsidies hurt Australia. Now we are being injured again," National Farmers Federation Director Rick Farley said. (Reuter)

NORTH DOCUMENTS IMPERIL AID FUNDS

Rep. Obey Threatens To Hold Up Vote Until 'I Get Answers'

Rep. Obey, chairman of the House Appropriations subcommittee on foreign operations, has threatened to hold more than \$700 million in foreign aid funds for Central America until the State Department answers new questions about a secret 1985 Reagan White House quid pro quo deal with Honduras.

"I don't expect to appropriate one dime for Central America," Obey said in an interview, "until I get answers to questions" raised by documents recently released at the [North trial].

In a related development, the Senate Foreign Relations Committee is expected to delay voting on the nomination of John Negroponte as U.S. ambassador to Mexico until questions raised by the North trial are cleared up, according to committee sources....

Obey said that some colleagues have told him to drop the subject "because the public is tired of it." But, he added, "I didn't swear to uphold the Constitution until I got tired."

(Walter Pincus & Joe Pichirallo, Washington Post, A1)

BUSH FACES POSSIBILITY OF CONGRESS REOPENING IRAN-CONTRA PROBE

President Bush faces the growing possibility that Congress may reopen the Iran-contra investigation with new focus on his activities as Vice President....

The House Intelligence Committee was expected Thursday to join the Senate Intelligence Committee in a parallel review to determine if the Reagan White House withheld politically sensitive documents from the 1987 congressional probe....

"I believe that these documents suggest the involvement of President Reagan and Vice President Bush to a much greater extent" than indicated by previous probes, said Rep. Hamilton, former chairman of the now-defunct House Iran-contra investigating committee....

"I personally think we ought to pursue the implications of those documents," Hamilton told reporters at a breakfast meeting Wednesday....

Hamilton said it was "possible" but "unlikely" that the documents might have been withheld accidentally. (Miles Benson, Newhouse News)

U.S. ACCUSES PANAMA OF THREATENING TONE AHEAD OF POLLS

The U.S. Wednesday accused Panama of adopting an "increasingly threatening tone" ahead of Sunday's national election, citing high-profile media reports about pro-regime civilians receiving arms....

"In the final days of the election campaign in Panama, regime propaganda has taken on an increasingly threatening tone," [State Department spokeswoman Margaret Tutwiler] told reporters.

"The campaign of intimidation undertaken by the regime press and the Panama Defense Forces is aimed at reducing voter turnout and discouraging any popular protest following the announcement of a victory for regime presidential candidate Carlos Duque," she added.

(Carol Giacomo, Reuter)

OPPOSITION ACCUSES GOVERNMENT OF INTIMIDATION

PANAMA CITY -- Opposition leaders Wednesday accused supporters of Gen. Noriega of trying to steal Sunday's presidential elections and staged a mass rally in the capital to close their election campaign with a show of strength.

Tens of thousands of enthusiastic anti-Noriega activists jammed the city's main shopping street, Via Espana, singing, shouting, and waving the flags of the three political parties that have banded together in an effort to defeat Carlos Duque, the pro-Noriega candidate....

Also Wednesday, the U.S. Southern Command...reported that several U.S. soldiers and their families were held at gunpoint by Panama Defense Forces personnel Saturday while their homes were searched....

No U.S. citizens were injured during the search...the command said.

(Douglas Tweedale, UPI)

STAGE SET FOR CONFLICT IN PANAMA ELECTIONS

PANAMA CITY -- With accusations of electoral fraud, threats of unrest and an ongoing struggle with Washington, the stage seems set for conflict no matter who wins Sunday's Panamanian general elections, independent observers say....

"Of all the campaigns I have seen, this one has to be the most acrimonious. The two sides [vying for election] cannot even talk to each other," one election observer said.

"I do not believe the elections will resolve this crisis. No matter who wins, there will be controversy," he said.

(Katherine King, Reuter)

SALVADORAN REBELS URGE BUSH TO SEEK POLITICAL SOLUTION

SAN SALVADOR -- Salvadoran leftist [FMLN] rebels, who have waged a nine-year war against the U.S.-backed government, urged President Bush Wednesday to help forge a political solution to the conflict.

The rebels, in a broadcast on the clandestine Radio Venceremos, urged the Bush administration to abandon former President Reagan's policy of providing military aid to the Salvadoran government....

"President Bush must give signs of a willingness to solve the conflict in El Salvador through peaceful ways as it has done in other places," said the broadcast by the FMLN....

Meanwhile, a senior ARENA [Party] legislator blasted the U.S. government for granting visas to three leftist rebel leaders traveling to New York to meet with U.S. officials.

(Eda Chavez, UPI)

CENTRAL AMERICAN PEACE PLAN SEEN FALTERING

TEGUCIGALPA -- Efforts to meet deadlines under Central America's latest peace plan are being held up by Nicaragua's refusal to hold talks with contra rebels, a top Honduran official said Wednesday.

"Unless a miracle occurs, I don't feel very optimistic that we will have achieved results by May 15 [the planned date to begin dismantling contra camps in Honduras]," Foreign Minister Carlos Lopez Contreras told a news conference here. (Reuter)

U.S. SILENT ON QUESTION OF JOINT MANEUVERS WITH VENEZUELA

CARACAS -- The U.S. Embassy Wednesday said the U.S. and Venezuela had military exchange programs but declined to comment on reports [by Luis Fuenmayor, rector of the Central University of Venezuela] that U.S. forces held joint maneuvers with counterinsurgency troops here.

"All visits made by Venezuelan military personnel to the United States and by American military personnel to Venezuela are regular and routine activities..." a U.S. Embassy communique said. (Reuter)

U.S. PRESSES PLO FOR FORMAL ACTION ON CHARTER

The U.S. said Wednesday Yasser Arafat's statement declaring the 1964 PLO charter obsolete could be a "step in the right direction" and challenged him to back it up with a formal vote of the Palestinian National Council.

"We see this as a reinforcement of his prior statement acknowledging Israel's right to exist," State Department spokeswoman Margaret Tutwiler said of [Arafat's] dramatic remarks on French television.

She said a decision by the Palestinian National Council... "Formally amending or abrogating the charter would be the kind of action we would certainly applaud." (Reuter)

ARAFAT SAYS PLO CHARTER 'SUPERSEDED,' REFUSES TO BACK ITS FORMAL ABROGATION

PARIS -- PLO Chairman Arafat Wednesday refused to endorse formal abrogation of the 25-year-old Palestinian National Charter, insisting that the controversial covenant, which Israel says calls for its destruction, has been "superseded." ...

But when asked specifically if he would favor moves to abrogate the charter, which calls for the "elimination of the Zionist and imperialist presence," Arafat replied that he would provide "further explanations in the framework of an international conference" on Middle East peace.

(Jonathan Randal, Washington Post A28)

ARAFAT WRAPS UP UNPRECEDENTED OFFICIAL VISIT TO FRANCE

PARIS -- PLO leader Arafat ended an unprecedented official visit to France Wednesday with an appeal to the U.S. to devise a plan for elections in the Israeli-occupied territories similar to a U.N. independence program for Namibia....

"I would like to address myself to the American administration," Arafat said [at a news conference]. "Four months ago you accepted a plan for elections in Namibia. I also accept that plan. I agree on the application of the Namibian accord in Palestine." (John Phillips, UPI)

-more-

U.S. SAYS PLO BID TO JOIN HEALTH AGENCY IS 'ILL-CONCEIVED'

UNITED NATIONS -- A growing number of states believe a PLO bid to join the World Health Organization is "ill-timed and ill-conceived," the U.S. ambassador to the U.N. said Wednesday.

Ambassador Pickering said that in talks here he detected "a serious and increasing concern that this is not a wise idea..." ...

"I have seen in my personal contacts with a number of people from the more moderate Arab states also a sense of anguish that this issue is ill-timed and ill-conceived," he told reporters. (Reuter)

U.N. AGENCY ASSAILS U.S. THREAT TO STOP PAYMENTS

GENEVA -- The head of the World Health Organization said Wednesday the U.S. warning it will stop payments to the U.N. agency if it accepts Palestinian membership threatens the agency with its worst crisis.

Hiroshi Nakajima, WHO director-general, said that during his visit to Washington, U.S. officials "made it clear that U.S. assessed and voluntary payments will stop immediately" if the Palestinians are granted membership.

"It is a grave crisis, the biggest ever," Nakajima said. (UPI)

SEOUL OPPOSITION SEEKS TALKS WITH ROH OVER EMERGENCY THREAT

SEOUL -- South Korean opposition parties called Thursday for talks with President Roh Tae-Woo after he made a thinly-veiled threat to invoke emergency powers to crush violence by students and workers.

Roh, blaming "revolutionary forces" for the fiery deaths of six policemen during an assault on campus rioters in Pusan early Wednesday, said in a televised address he would adopt unspecified emergency measures if social turmoil continued....

The country's three main opposition parties held separate meetings of party executives Thursday to discuss Roh's statement and called for talks with him as soon as possible, according to party spokesmen.

(Oh Ilson, Reuter)

EDITOR'S NOTE: "Disdain For Soviet Testimony Bipartisan," by Warren Strobel, appears in The Washington Times, page A5.

###

NATIONAL NEWS

ANTITRUST SHIFT WILL BE PROPOSED TO AID TV EFFORT

The Bush administration is preparing to propose a major relaxation of antitrust laws, with the goal of permitting companies like Motorola, AT&T and IBM to work together to produce high-technology equipment, starting with high-definition television sets....

Commerce Secretary Mosbacher...said on Tuesday: "I think there's a pretty good probability of changing the antitrust laws. I think Congress is ready to do it." He said high-definition television would probably be the first area in which the proposed waiver would have an effect....

Mosbacher also said the administration was thinking of tying a reduction in the capital-gains tax for companies involved in high-definition television to a relaxation of the antitrust law.

(Peter Kilborn, New York Times, A1)

WHITE HOUSE MOVES CLOSER TO OFFERING CLEAN AIR PLAN

The White House is accelerating its drive to produce a comprehensive proposal to fight air pollution, an effort that is likely to be President Bush's most important environmental initiative.

A senior White House official said Bush soon will be presented with recommendations for dealing with smog, toxic pollutants and acid rain -- the three biggest problem areas of air pollution in this country.

The administration has been pressured by a bipartisan group of lawmakers and by Republican governors eager to see Bush make good on his campaign promise to devise a clean air plan.

(Tom Baden, Newhouse News)

MITCHELL BLASTS BUSH TEAM ON INDOOR AIR POLLUTION

Sen. Mitchell blasted the Bush administration for foot-dragging on an EPA report describing serious hazards and high medical costs associated with indoor air pollution.

"It is unacceptable for the administration not to have completed or made available this report seven months after the law required it to be completed and made available," [Mitchell] said Wednesday at a Senate Environment and Public Works subcommittee hearing.

Mitchell said the report...provides "convincing documentation" of the hazards of indoor air pollution, yet the administration seems "unwilling" to address the issue.

(Janet Bass, UPI)

CONSERVATIVE GOP SENATORS PROD BUSH ON ISSUES

Conservative Republican senators urged President Bush to sharpen his focus on traditional GOP issues yesterday in the latest indication of mounting concern among conservative lawmakers about Bush administration compromises with the Democrats....

"There was a discussion of the need to be careful about reaching a compromise at the sacrifice of basic principles, and there were some suggestions that this might be going on," said Sen. Helms....

"It's all right to have this cooperation but somewhere along the line the administration has to draw a line of distinction...If there's a fuzzy image in the next election, the Democrats stand to benefit," Sen. Grassley told a reporter earlier in the week.

(Helen Dewar, Washington Post, A7)

DEUKMEJIAN ANNOYED OVER BUSH TRIP Complaint Reportedly Sent To Sununu

California Gov. Deukmejian, a stalwart Republican supporter of President Bush in last year's campaign, has sent White House Chief of Staff Sununu a private letter complaining about the planning for the President's recent visit to his state, informed sources said Wednesday.

The sources said Deukmejian expressed unhappiness with the failure of the White House staff to schedule time for him to meet with Bush while the President was in the state....

Deukmejian also complained to Sununu...that the White House failed to consult with him on what themes and events should dominate the visit until the schedule was already set. Such consultations with state politicians before a trip are routine.

(David Hoffman & Ann Devroy, Washington Post, A7)

U.S. HIGH SCHOOLS STAGNATING, CAVAZOS SAYS

The performance of American high schools has stagnated despite sharp increases in spending and a wave of attempted school reform, Education Secretary Cavazos said yesterday.

"We are standing still, and the problem is that it's been this way for three years in a row," Cavazos declared in releasing the department's sixth annual state-by-state compilation of education statistics. "Frankly, this situation scares me." ...

[Cavazos] said the widespread efforts to raise academic standards that followed the 1983 report by the National Commission on Educational Excellence have lost momentum.

Cavazos said the way to raise achievement was to focus on clear academic goals and to hold schools, teachers and students accountable for achieving them.

(Lawrence Feinberg, Washington Post, A1)

BENNETT GIVES SPEECH AFTER BIRTH OF SON

Federal anti-drug chief Bennett, in a speech he nearly canceled Wednesday when his wife went into labor, said drug users and drug dealers "must be confronted, and they must suffer consequences."

Arriving two hours late at an anti-drug workshop, Bennett said he considered skipping the session, but his wife, Elayne, talked him out of it, saying "now you have one more reason" to give the speech -- their new...baby boy....

He said more judges, prosecutors, federal agents and jails are needed in the war against drugs, as well as possible new ways to impose punishments.

(Thomas Ferraro, UPI)

SWEETHEART DEALS ALLEGED AT CUSTOMS

U.S. Customs Service Commissioner William von Raab and other agency officials may have improperly funneled contracts to friends and former employees, according to a House subcommittee.

The subcommittee later this week will refer its allegations to the GAO and the Treasury Department's inspector general for further investigation, congressional officials confirmed Wednesday.

(Michael Hedges, Washington Times, A1)

HOUSE, SENATE BEGIN DEBATING '90 BUDGET PACT

The House and Senate opened debate Wednesday on a compromise \$1.1 trillion budget for fiscal 1990 as drafters conceded that the plan's deficit reductions do not go far enough and senators moved to head off tax increases that could result in more substantial deficit reductions....

While "no one is trying to hide the shortcomings of this agreement," said Sen. Sasser, it represents "the first genuine break with a history of deadlock and confusion" over federal budgets and is "the very best compromise attainable" under current circumstances.

(Helen Dewar & Don Phillips, Washington Post, A6)

SENATE OPPOSES GAS TAX HIKES

The Senate went on record Wednesday against gasoline tax increases as it and the House cleared roadblocks to approving budgets that carry out a much-criticized deficit-reduction agreement with the White House.

The anti-gas tax amendment, offered by Sen. Symms, passed by voice vote and expressed the "sense of the Senate" that motor fuel taxes should remain dedicated to improvements in the highway and transportation system....

Sources have said the Bush administration has been considering a gas tax increase, combined with a reduction in the capital gains tax, in the fiscal 1991 budget to be submitted next year....

Rep. Rostenkowski...has openly suggested a gas tax increase. But he told the House he would not offer such legislation without Bush's support.

(Steven Komarow, AP)

SENATE REBUKES OMB ESTIMATES

On Wednesday, the Senate, on a 54-44 vote, adopted a non-binding resolution by Sen. Exon urging that the 1991 budget use the less-optimistic assumptions about economic growth, inflation and interest rates prepared by the non-partisan Congressional Budget Office rather than the estimates of the administration's Office of Management and Budget.

"It's time that the Congress told the American people the truth" about the deficit, Exon said.

(UPI)

EDITOR'S NOTES: "Civil Rights Group's Split Could Give Lucas A Boost," by Ruth Marcus, appears in The Washington Post, page A21.

"Behind The Thrones: The Quiet And Trusted," appears in The New York Times, page B12.

NETWORK NEWS SUMMARY

(Wednesday Evening, May 3)

NATO

CBS's Dan Rather: Another NATO ally came to Washington today urging President Bush to meet Soviet leader Gorbachev's challenge and help West Germany's leadership on the issue of short-range nuclear missiles. President Bush declined. With less than a month to go before Mr. Bush goes to a NATO summit meeting, he is still insisting on upgrading short-range nuclear missiles on German soil. This is giving Chancellor Kohl fits, and gaining Gorbachev popularity in Europe.

CBS's Lesley Stahl: President Bush dug in his heels and again rejected West Germany's call for East-West negotiations to reduce short-range nuclear missiles. Norwegian Prime Minister Brundtland came to the White House today to referee the U.S.-German fight. But Mr. Bush repeated his stand that the weapons are vital to deter a Soviet attack. But she, as the Germans, remains unconvinced.

(Prime Minister Brundtland: "Norway has been promoting that we need to negotiate on all types of weapons, including the short-range weapons.")

Chancellor Kohl suggested he might be willing to compromise by agreeing to hold off negotiations until after the German elections in 1990. But the Administration is clearly still angry with the Germans.

(Secretary Cheney: "I like to remind them that they're not the only ones with nuclear weapons on their soil.")

And the U.S. still insists it won't even discuss reducing the short-range missiles until the Soviets agree to give up their superiority in troops and tanks.

(State Department Spokeswoman Tutwiler: "We think it would be a mistake to engage in arms control negotiations on SNF.")

But Paul Nitze strongly criticizes Mr. Bush's unbending position. He says talks would be in the security interests of the West.

(Paul Nitze: "The Soviets have many more than we do, and there's no reason that I can see why we shouldn't negotiate with the Soviets to achieve equal ceilings, low equal ceilings.")

And Sam Nunn says moves to denuclearize Europe should have been foreseen, and accused NATO of shooting itself in the foot.

(Sen. Nunn: "Well, this is not a surprise, and yet NATO as a whole does not seem to be prepared for it with any kind of vision, with any kind of strategy.")

White House officials believe the Germans are testing George Bush to see how far they can push him. Patching things up with the Kohl government is a major goal here, but even more important is showing the world that the President can't be pushed any further.

(CBS-Lead)

ABC's Peter Jennings: President Bush said today the United States will not negotiate on the issue of short-range nuclear missiles in Europe -- no negotiations with the Soviet Union, and no negotiations with America's strongest ally in Europe, West Germany. Negotiate is what the West Germans want the U.S. to do. Today, President Bush said it would be a mistake.

-more-

Thursday, May 4, 1989 -- B-2

ABC's Brit Hume: What was supposed to be a 20-minute meeting with the Prime Minister of Norway turned, after the cameras were gone, into an hour-long spirited -- according to the White House -- discussion of NATO and the U.S. dispute with Germany. Afterward, the Prime Minister suggested it was time for the U.S. to compromise.

(Prime Minister Brundtland: "And so we need to find common ground on pursuing a strong NATO.")

But presidential Spokesman Fitzwater told reporters, "We'll continue to discuss it, but we're very firm in our position." That position is that there should be no talks with the Soviets on reducing short-range nuclear missiles in Europe until there's a deal on cutting conventional arms where the Soviets are way ahead. And in the meantime, the Administration wants the German government to ignore public opinion and modernize the short-range missiles on German soil. That U.S. position is under fire, and not just from the Germans. The man who was Ronald Reagan's chief arms negotiator says the U.S. should go ahead with short-range nuclear talks with the Soviets now.

(Paul Nitze: "Rather than pressing the Germans for a thing that is politically impossible for them, it would be better for us to take the initiative in this particular circumstance.")

But Secretary Cheney, who ran into criticism of the U.S. position on Capitol Hill today, explained what the Administration is afraid of.

(Secretary Cheney: "Once you start negotiations on short-range nuclear forces, if you can't resist the political pressure to get into the negotiations, how do you resist the political pressure that is clearly going to be there to accept the first Soviet offer, which is going to be not 50, but probably zero?")

Zero, of course, means no short-range missiles on either side, which the U.S. feels would leave Europe exposed to Soviet superiority in troops, tanks and guns. That was once NATO gospel. The Administration has until the end of the month and the NATO summit to make it that again. (ABC-3)

NBC's John Cochran: The President is being hit from both sides of the Atlantic and from both sides of the political spectrum here at home from those who backed him for President and those who didn't. And yet, Bush says he's not backing down. White House Spokesman Marlin Fitzwater sounded tougher than ever: no compromise, no talks with Moscow about removing short-range nuclear weapons until the Soviets give up their big edge in conventional forces. Bush's critics say he's more rigid than Ronald Reagan.

(Sen. Biden: "To President Reagan's credit, by the time he left office, arms control was moving in the right direction, and there was some momentum. I don't understand why that momentum can't be kept moving.")

And an attack from Reagan's top arms control adviser, Paul Nitze, who says Bush has totally miscalculated the opposition in Europe to his hard-line stand. Chancellor Kohl is under heavy pressure from voters to negotiate the removal of German-based nuclear weapons. If Kohl loses, he will be replaced by socialists who are far more opposed to Bush's foreign policy. Nitze says Bush must compromise to save Kohl.

(Paul Nitze: "It is worse that the real attention to the German problem, seeing to it that Germany does not get so shattered by this issue, that it can't have a useful government.")

-more-

Cochran continues: Nitze said it makes military, as well as political sense to try to get Moscow to remove some of its more than 1,400 short-range missile launchers. NATO has only 88. But more than that, Bush's critics say West Europeans look to Gorbachev instead of Bush for leadership on issues like arms control. Today, Bush failed to persuade Norway's Prime Minister, who wants speedy talks with Moscow on the missiles.

(Sen. Biden: "The rest of the European community thinks somehow we have no plan, we have no position, we have no leadership.")

Tomorrow, Canada's Prime Minister Mulroney comes here to the White House to offer himself to Bush as a mediator to solve the NATO crisis. Bush's attitude? Always happy to listen to my friends, but I've made up my mind. No compromise. (NBC-5)

EDUCATION

NBC's Tom Brokaw: The state of education in America. In this ever-more competitive world, it is one of the most important measures of how we're doing. And judging from a comprehensive state-by-state analysis by the federal government, we're not doing nearly well enough.

NBC's Robert Hager reports that the federal report card says U.S. elementary and high schools are mediocre and making no progress at all, and says that's deplorable. Secretary Cavazos reported that in elementary school, one of every four pupils now has to be held back. In high school nationwide, an average of 3,600 students drop out each day. Among major nations, U.S. students rank eighth in general science and below average in math. But Minnesota has the lowest dropout rate in the country, and also boasts high test scores. Almost all the states with lowest test scores are in the southeast. The Department of Education says the U.S. is already outspending Japan and most other countries on education, but spending's not the cure-all.

(Secretary Cavazos: "Money alone is not the answer to our education deficit.")

Others say it will take more money. But the Education Department stresses the less-costly Bush Administration program, which envisions rewards for merit schools and outstanding scholars, and a federal effort to get parents alarmed. Most educators agree with all that, but think the situation is so bad that it will take much more.

(NBC-Lead)

Jennings: The government sent home its annual report card on education today. The grades were not very good. There's been virtually no improvement since last year.

ABC's Bill Blakemore: No progress and some decline were the comments on the report card delivered by Secretary Cavazos. He decried what he says is stagnation in American schools.

(Secretary Cavazos: "We are standing still, and the problem is that it's been this way for three years in a row, and frankly the situation scares me. And I hope it scares you, too.")

The national average score on the SAT college entrance exams declined last year by two points. The national high school graduation rate has declined slightly to 71%.

-more-

Blakemore continues: One bright spot in this report: Minorities' test scores are improving. In 10 years, blacks have gained 21 points on the verbal SAT and 30 points on the math. American Indians, Asians, and Hispanics have also improved their scores. But overall, there has been no significant improvement in American schools. Cavazos said the reforms needed are not, for the most part, a matter of money, but of recognizing and implementing programs that do work. And in a move reformers have been urging for years, he set some specific goals for all school districts. He wants them to boost high school graduation to 90%, cut in half the number who fail a grade, give special aid to all elementary elementary students judged to be at risk of failure, and ensure high-quality vocational training for those not going to college. He says he's going to write to every local school board in America to try to get them to commit to his national education goals. (ABC-6, CBS-9)

DRUGS

Brokaw: Drug Czar Bennett was sounding another kind of warning today, a warning to drug users. He said they must now understand that they will be punished. Bennett said the certainty of punishment for users and dealers is more important than the severity.

NBC's Lisa Myers reports that Bennett today called for more programs to teach Americans that casual drug use is not a matter of personal preference.

(Director Bennett: "It has costs, wide, horrible social costs. The suburban man who drives his BMW downtown to buy cocaine is killing himself, of course, but he's also killing the city he drives into at the same time.")

Bennett praised a Philadelphia program under which people who drive their BMWs to buy drugs lose their cars for good. Bennett says he also likes revoking the drivers licenses of teenage drug users and holding parents accountable for the actions of their children.

(Bennett: "Those guilty of drug offenses must believe that punishment is inevitable.")

Experts estimate that more than half of the 23 million Americans who use drugs are casual users who can change their behavior given enough incentives. Bennett believes going after them is the fastest way to reduce the demand for drugs. (NBC-2)

BUDGET

CBS's Bob Schieffer reports:

(Rep. Schuette: "There's a fair amount of hocus pocus here, numbers that don't count.")

As debate got serious today on the budget, even many of those involved conceded it was a holding action -- a way to let the President keep his promise of no new taxes, but one which postpones the hard choices on reducing the deficit.

(Rep. Rostenkowski: "I think that this year we'll dance to the tune of the President, but I'd have to recognize that next year it's going to be one bumpy ride. We've got to fasten our seat belts.")

To meet the limit allowed on deficit spending this year alone, Congress must still find an additional \$5.3 billion in revenue -- no small task without a tax hike, but probably possible.

Schieffer continues:

(Sen. Domenici: "It would be some combination of extending existing taxes or taking some loopholes that exist and taking them out of the tax code.")

The hard part comes next year when there will be fewer loopholes to close, but with interest payments on the deficit gobbling up more and more government revenue, experts agree the danger to the economy is growing. Adding to the worry, the government's top auditor says that without bookkeeping slight of hand on such things as the social security trust fund, the deficit would be twice as large as generally acknowledged.

(U.S. Comptroller General Charles Bowsher: "The real signs of the deficit, if you take away the trust funds, especially, and count everything, it would be somewhere well over \$200 billion. It might even be closer to \$250 billion.")

That's why Congress's top tax writer issued a stern warning today when he said he won't push new taxes this year unless the President does.

(Rep. Rostenkowski: "There's no way that we can continue this blue smoke and mirrors, this rosy scenario dance that we've been doing, and get our economic house in order.")

So once all the shouting stops, the budget debate will probably amount to this: The President will be able to say he kept his promise of no new taxes. Just don't expect the same promise next year. (CBS-2)

PANAMA

Jennings reports that in Panama a huge anti-government rally in the final days before the election, thousands of demonstrators burned government posters. (ABC-10)

CHINA

Jennings: We begin tonight with tomorrow in China. Given the international dateline, it is already another working day in China, a day on which Chinese students in search of political reform intend to challenge their government by demonstrating in various cities. The government has warned them not to do it, but the students said they would march again unless the Communist Party met with their legitimate leaders. The party refused. (ABC-Lead, NBC-4, CBS-11)

SOUTH KOREA

Jennings reports that in student demonstrations in the port city of Pusan, students held five policemen hostage in a school library, and still other police tried to free them. They climbed over a barricade that had been drenched with paint thinner, and they died when the students set the barricades on fire. President Roh said such violent acts endanger democracy, and he said he may impose emergency methods to stop it. (ABC-2, NBC-3, CBS-10)

Thursday, May 4, 1989 -- B-6

PLO

Jennings reports that PLO Chairman Arafat called on the U.S. today to come up with a plan for elections that would lead to Palestinian independence in the occupied territories. Some of the more radical Palestinian leaders say that Arafat doesn't speak for them. (ABC-9)

Brokaw reports that after Yasser Arafat said the PLO charter calling for Israel's destruction is null and void, today the head of a hard-line PLO faction said, "No way. This charter is very much alive."

(NBC-6)

PESTICIDES

CBS's Terence Smith reports that today the General Accounting office charged that the EPA has failed to police up to 90% of pesticide exports and to warn other countries of the danger.

(Rep. Synar: "Foreign governments have been kept in the dark. The public has been kept in the dark, and the agencies responsible for inspecting U.S. food imports have been kept in the dark.")

(Linda Fisher, EPA: "Admittedly, our current program has fallen short on some of these counts.")

(CBS-3)

-end of New Summary-

From the desk of
George Bush

done
5/4/89
P.

P/

No copies
Hand to Bush
only

Bush Library Photocopy
George Bush Handwriting

Document Originally
Attached to
Following Page

Bush Presidential Library Photocopy

Withdrawal/Redaction Sheet

(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
02. Note	From President Bush to Brent Scowcroft Re: Arafat (1 pp.)	05/04/89	(b)(1)	

Collection:

Record Group: Bush Presidential Records

Office: Office of the President

Series: Daily Files

Subseries:

WHORM Cat.:

File Location: Thursday, May 4, 1989

Date Closed: 4/16/2009	OA/ID Number: 90509--011
FOIA/SYS Case #: 2009-0166-S	Appeal Case #:
Re-review Case #:	Appeal Disposition:
P-2/P-5 Review Case #:	Disposition Date:
AR Case #:	MR Case #:
AR Disposition:	MR Disposition:
AR Disposition Date:	MR Disposition Date:

RESTRICTION CODES

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

Freedom of Information Act - [5 U.S.C. 552(b)]

P-1 National Security Classified Information [(a)(1) of the PRA]
P-2 Relating to the 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]

C. Closed in accordance with restrictions contained in donor's deed of gift.

PRM. Removed as a personal record misfile.

(b)(1) National security classified information [(b)(1) of the FOIA]
(b)(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
(b)(3) Release would violate a Federal statute [(b)(3) of the FOIA]
(b)(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
(b)(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
(b)(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
(b)(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
(b)(9) Release would disclose geological or geophysical information

Daily file

May 4, 1989
11:00 a.m.

COMBATting VIOLENT CRIME

I. Assault Weapons

- A. Announce that you will make permanent the temporary suspension on imported assault weapons that fail to pass the sporting purposes test.
- B. Amend current law to prohibit the domestic manufacture or sale of any weapon banned for import.
- C. Seek legislation prohibiting the importation, manufacturing, transfer or sale of gun magazines of over 10 rounds for use by private citizens.

II. Limiting Access to Weapons by Felons

The Anti-Drug Abuse Act of 1988 requires the Attorney General to develop a system for the immediate and accurate identification of felons and others who attempt to purchase firearms but are barred by federal law [18 U.S.C. 922(g)(1)] from buying or possessing firearms.

- A. Direct the Attorney General to expand the National Criminal Records Identification System Implementation study to include a review and evaluation of state and local procedures which have effectively limited criminal access to firearms, and based on that review develop recommendations for model state legislation to complement and enhance efforts to reduce felons access to firearms. Local procedures should be included in the review to the extent that they can be identified.

This model legislation might include a reasonably structured waiting period, or use other devices to facilitate accuracy in determining whether an individual seeking to purchase a weapon from a licensed gun dealer is ineligible by reason of federal law. Under current law the following categories of ineligibility are included on Treasury's Form 4473:

1. Convicted of a crime punishable by imprisonment for a term exceeding one year;
2. Currently under indictment;

3. A fugitive from justice;
 4. Addicted to a controlled substance or have been committed to a mental institution;
 5. An illegal alien;
 6. Adjudicated a mental defective or have been committed to a mental institution;
 7. Dishonorably discharged from the armed forces; and
 8. Renounced one's U.S. citizenship.
- B. Provide for states to transfer felony conviction records to the proper Federal authorities in a manner to be determined by the Attorney General.
- C. Modify existing federal law to further control access to weapons by felons and other ineligible individuals.
- o Bar the sale of firearms to, or possession of firearms by, persons convicted of any serious drug offense.

[N.B. A variation of this option was included in NECRA as: add "convicted of any drug offense" to Form 4473 question concerning whether the applicant is an "unlawful user of, or addicted to marijuana, or a depressant, stimulant, or narcotic drug." Its inclusion in the Administration package is not recommended by Justice and Treasury.]

- o Bar the sale of firearms to, or possession of firearms by, persons convicted of any violent offense.

[N.B. This option would expand the existing prohibition to cover individuals convicted of violent misdemeanor offenses, such as some of those on Purdy's record. It is supported by both Justice and Treasury.]

- o Double the current penalty for a knowing or materially false statement on Form 4473 to a maximum sentence of ten years imprisonment and a maximum fine of \$10,000.

- o Enact provisions to close loopholes and clarify existing offenses related to the sale or transfer of firearms:
 - to facilitate the prosecution of unlicensed gun dealers engaged in illegal weapons transfers to aliens or transients;
 - to expand federal jurisdiction to permit prosecution of transactions in stolen firearms and weapons lacking serial numbers in cases where the firearms have previously moved in interstate or foreign commerce, (present law requires the firearms be moving in interstate commerce at the time of the offense);
 - to provide a uniform standard to determine whether or not a person is under federal firearms disabilities based upon state convictions;
 - to require that persons convicted under state law of a serious drug offense or violent felony apply to federal authorities in order to have their firearms rights restored;
 - to amend provisions regarding the disposal of forfeited firearms; and
 - to clarify the definition of burglary in the Armed Career Criminal Act to eliminate loopholes caused by differing state laws.

III. Crime Control and Criminal Justice System Reforms

A. Strengthening Current Laws

1. Enact constitutionally sound procedures for imposing the federal death penalty provisions that now appear in federal statutes for homicide, espionage, and treason; the Administration's legislative proposal specifies the use of an automatic or semi-automatic firearm in committing the offense, or a previous conviction of a violent felony involving a firearm, as aggravating factors for capital murder sentencing.

2. Enact habeas corpus reform to:

- o establish a general one-year time limit on federal applications by state prisoners; and
- o require deference in federal proceedings to the results of fair and reasonable state court determinations.

This will correct the existing system of review, under which over 10,000 cases are annually filed and release time equivalent to approximately 40 federal judge-years.

3. Establish a general "good faith" exception to the exclusionary rule:

- o evidence would be admitted if the officers carrying out a search or seizure acted with an objectively reasonable belief that their conduct was in conformity with the Fourth Amendment; and
- o clarify that courts may not exclude evidence on the basis of non-constitutional violations in the absence of statutory authority for doing so.

4. Enhanced penalties for federal firearms violations

- o Double the mandatory penalty under 18 U.S.C. 924(c) for the use of a semi-automatic firearm during the commission of a violent crime or drug felony from five to ten years.
- o Allow for pre-trial preventive detention of defendants in cases involving certain serious firearms and explosive offenses.
- o Authorize criminal penalties and mandatory minimum sentences for theft of a firearm.
- o Enhance penalties for smuggling firearms into the United States while engaged in, or in the furtherance of, drug trafficking.
- o Amend the Armed Career Criminal statute to count as predicate offenses acts of juvenile delinquency which if committed by an adult would constitute a serious drug offense.

(N.B. Many youthful repeat offenders presently escape coverage of the enhanced career criminal penalties because most of their prior offenses were charged as juvenile delinquency.)

5. Urge all states to adopt model state legislation providing mandatory minimum sentences for criminal offenses involving firearms and provide them with related technical assistance through LECCs.
 - o Provide a 5 percent bonus of law enforcement grants to those states adopting model legislation. (\$6 million)
6. Amend the Anti-Drug Abuse Act of 1988 to provide that upon completion of the first year of the eight district pilot test of drug testing as a condition of parole or supervised release, the Attorney General be given the authority to implement such mandatory testing on a national basis.
 - o Urge states to adopt similar mandatory drug testing programs as a condition of parole.

B. Enhancing Enforcement

1. Increase funds for the Alcohol, Tobacco and Firearms Bureau to provide for the hiring, training and equipping of 250 ATF special agents, inspectors and support personnel to investigate assault weapon and other firearms violations by armed career criminal and repeat offenders. (\$12.5 million)
2. Increase funds for the U.S. Marshals to provide for about 100 additional positions for the Marshals Fugitive Investigations and Court Orders Program. This would direct greater Federal efforts to capturing fugitives and career criminals. (\$8 million)
3. Increase funds for the FBI to provide for about 200 additional positions for the Bureau's Violent Crime and Major Offenders Program and Organized Crime Program. In part, this would assist States and localities improve their efforts in fighting violent crime through greater Federal/State cooperation. (\$13 million)

4. The Attorney General and Secretary of the Treasury will be directed to develop a coordinated strategy for the deployment of the additional U.S. Marshals, ATF and FBI agents. Their deployment will emphasize working closely with state and local authorities in Task Forces to target and investigate career criminals who are subject to prosecution as repeat offenders under Federal firearms laws and related statutes.
5. Urge state and local authorities to increase their law enforcement resources devoted to the identification and apprehension of violent criminal offenders.

C. Enhancing Prosecution

1. Increase funds for the U.S. Attorneys to support 1,600 additional positions to handle the increased number of federal defendants and to prosecute more drug cases, weapons offenses, and other priority matters. (\$50 million)
2. Increase funds for the Criminal Division to support 168 additional positions to be applied to drug cases, weapons offenses, and other priority matters. (\$5 million)
3. Additional funds to U.S. Marshals to provide transportation and 300,000 added jail days for unsentenced prisoners and pre-trial detainees. (\$13 million)
4. Direct the Attorney General to issue and fully implement guidelines for federal prosecutors regarding plea bargaining under the Sentencing Reform Act to assure that the exercise of prosecutorial discretion effectively reflects the seriousness of the defendant's conduct and the Department's commitment to statutory sentencing goals and procedures.
5. Urge state and local prosecutors to reform their plea bargaining practices and to devote increased resources to prosecutions.

6. Enhance support to the Judiciary by \$40 million for FY 1990 to cover costs associated with processing increased numbers of criminal defendants and for additional federal criminal prosecutions.

D. Expanding Prison Capacity

1. Seek legislation authorizing an additional \$1 billion for prison construction, bringing the total 1990 budget to \$1.5 billion. This will increase prison capacity by about 85 percent, adding over 26,000 new federal prison beds. Present rated federal prison capacity is 30,951 beds, the present federal prison population is 48,000, or 54 percent overcrowded.
2. Direct the Secretary of Defense, the Secretary of Education, and the Administrator of the General Services Administration to work with the Attorney General to identify expeditiously properties and facilities suitable for conversion to use as federal prisons or jails.
3. Direct the Attorney General to recommend means for expediting the deportation of convicted criminal aliens.
4. Commend and encourage state prison construction efforts.
 - o States have already funded over 79,000 new bedspaces to be constructed by 1994.
 - o The states are also considering constructing 70,000 additional bedspaces.

E. Resource Enhancement Summary**Penalties:**

State Grant Bonus \$ 6.0 million

Enforcement:

BATF \$12.5 million

U.S. Marshals \$ 8.0 million

FBI \$13.0 million

Prosecution:

U.S. Attorneys \$50.0 million

Criminal Division \$ 5.0 million

Unsentenced Prisoner Support \$13.0 million

Courts \$40.0 million

Prisons:

Federal Prison Construction \$ 1.0 billion

(This will bring total 1990 prison construction budget to \$1.5 billion, which includes \$115 million available from the Special Forfeiture Fund available to the Office of National Drug Control Policy, and \$401 million in the original Bush Budget.)

Determined NOT to be
National Security Classified Marking
By *DL* (NLGB) on *4/16/09*

THE PRESIDENT HAS SEEN
THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

May 4, 1989 1989 MAY -4 PM 7:00

PRIVATE & CONFIDENTIAL

TO : THE PRESIDENT

FROM: MICHAEL J. BOSKIN *mjb*

RE : Summary of Camp David Meeting

Attached are a brief overview and narrative summary of the discussion with the outside economists and businessmen at Camp David. Recall the group agreed not to discuss with outsiders the views or statements of any of the other participants. As near as I can tell, all but Wanniski have complied.

Please do not circulate this to anyone else. If there are any questions, I would be happy to try to clarify things.

GP
5-7

P
/
same

Brief Overview of Camp David Meeting with Outside Economists

The agenda for the meeting focused on four general areas:

1. Inflation and Unemployment
2. The Outlook for the U.S. Economy
3. Economic Growth and Productivity
4. Budget Policy

During the meeting several of the outside participants raised issues which fall into two other broad areas:

5. International Trade and the Trade Deficit
6. Savings and Investment

(1) Inflation and Unemployment

There was general agreement that demographic changes have reduced the level of unemployment that we can achieve without causing an increase in inflation. The aging of the baby-boom generation has increased the proportion of "prime-age" workers with lower unemployment rates. Moreover, the unemployment rate for younger workers and women is now lower compared with "prime-age" male workers. These changes could have lowered the unemployment rate where inflationary pressures begin to the range of 4.5 to 5.5 percent.

Moderate wage increases are further evidence that labor market pressures are not yet severe despite the low unemployment. However, some of the economists warned that there was some evidence of an increase in wage inflation (as measured by the employment cost index) and advised a very cautious assessment of the low unemployment rates. Further, as emphasized by Paul Volcker and Herb Stein, the inflation rate is still well above zero and needs to be gradually reduced to that level.

(2) The Outlook for the U.S. Economy

There were a variety of views about the short-run strength of the economy, but no one saw significant signs of a recession. Monthly statistical releases indicate some slowdown in February and March, but the businessmen saw no sign of reduced orders or inventory buildup in their industries. The importance of viewing the U.S. economic outlook jointly with the outlook for other industrialized economies was emphasized by Paul O'Neill.

Most agreed that the most significant risk to the economy was a rise in inflation like we experienced in the late 1970s. However, thus far there is no evidence of such strong inflation and all agreed that it would be unwise for the Fed to tighten in response to a temporary uptick in inflation due to oil price increases.

(3) Economic Growth and Productivity

The discussion about what to do to increase U.S. productivity repeatedly turned to education. The U.S. is behind Japan and other countries in providing education at the elementary and secondary level. A large fraction of the workforce is functionally illiterate. The President should use the "bully pulpit" and call a conference of governors to highlight the problems. Education is mainly funded at the state and local level, and it was felt that more Federal tax dollars are not needed beyond the amount in the President's educational initiative.

(4) Budget Policy

The outside economists were evenly split on whether a tax increase would be a good idea. The greatest concern about a tax increase is that it would simply raise spending with no effect on the deficit. But other economists--most vocally Herb Stein--disputed this effect of taxes on spending.

There was general agreement that a three-part package consisting of (1) a cut in the capital gains tax, (2) increased Presidential authority in the budget process, and (3) an increase in some other tax (e.g. gasoline) would be worth serious consideration.

(5) International Trade and the Trade Deficit

There was unanimous support -- both from the businessmen and the economists -- that the Administration maintain a strong commitment to open markets and reduced trade barriers. The businessmen both praised the Japanese for efficient and high-quality production and wanted the Japan bashing to stop. If bashing must be done, then bash U.S. industrial leaders. Most of the economists saw no harm from the U.S. trade deficit per se. Some said it simply represented the demand for U.S. dollars and assets. Others said the trade deficit was a symptom of another problem: the low U.S. saving rate compared to Japan and other industrialized countries.

(6) Savings and Investment

There was fairly wide agreement that the U.S. saving rate is too low. Cutting the budget deficit would increase the savings rate, but additional tax incentives are necessary to increase private saving. Those opposing this view--Art Laffer, Jude Wanniski--felt that the savings rate was the result of decisions made by individuals; government intervention was not appropriate.

**Narrative Summary of Camp David Meeting with Outside Economists
Saturday, April 22, 1989**

Outside Participants:

Paul O'Neill, Alcoa
John Akers, IBM
Paul Volcker, James D. Wolfensohn
Martin Feldstein, Harvard University
Richard Rahn, U.S. Chamber of Commerce
Kathryn Eickhoff, Eickhoff Economics
Herbert Stein, American Enterprise Institute
Jude Wanniski, Polyconomics
Art Laffer, A.B. Laffer Associates
Beryl W. Sprinkel, Consultant

Administration Participants

John H. Sununu, Chief of Staff
Nicholas F. Brady, Secretary of the Treasury
Richard G. Darman, OMB Director
Michael J. Boskin, CEA Chairman
Roger Porter, Assistant to the President for Domestic and
Economic Policy
John B. Taylor, CEA Member-Designate

After Michael Boskin's introduction, John Taylor presented the Council's preliminary analysis that the measure of unemployment associated with inflationary pressures is now lower than it was in the highly inflationary period of the late 1970s. The group then began a discussion of the inflation and unemployment issues facing the U.S. economy.

Inflation and Unemployment

Paul O'Neil felt that Taylor's characterization of the labor market in the U.S. economy at this time was about right. He added that profit sharing plans, which are more important now and which have recently been added to his own company's compensation schemes, should make the labor market more flexible in adjusting to economic shocks in the future.

Herb Stein emphasized that we have too much inflation right now and must get it down to close to zero.

Martin Feldstein basically agreed with Taylor's analysis of the demographic aspects of unemployment, but he also emphasized the total compensation figures for wage inflation are rising and are very important to monitor.

Beryl Sprinkel thought that one must go beyond these measures of inflation and unemployment and look at the general monetary policy thrust over the last few years. He felt that we have had much restraint in monetary policy in the last year and that this has a negative short-run effect on the outlook.

Paul Volcker agreed with Stein that inflation is still too high. The short-run effects of oil are probably temporary, but the threat of higher inflation is most crucial for the short-run outlook. He was very worried about inflation rising in the near future.

Richard Rahn felt that the inflation blip is almost over. We've already had a tight policy and the big threat of a downturn is already in place. He felt that the Fed was too tight and should get on with easing up at this time.

Kathryn Eickhoff felt that the recent upsurge in inflation was due to oil and that this will turn around. She also felt that the current low level of unemployment will be a squeeze on monetary policy with the Fed not having as much room to maneuver as in the past.

Art Laffer indicated that the weak dollar has had a significant upward effect on inflation. He was also concerned that the monetary base has been growing much too rapidly in the last few years.

Jude Wanniski emphasized that inflation is a monetary phenomenon, but he was more sanguine about the inflation issue because of the relative price of gold and oil at this time, which seemed roughly to be in equilibrium.

Short-Run Outlook

The discussion here began with Martin Feldstein stating that the flattening of the yield curve was a signal of a slowdown. He also said that the adjustable rate mortgages have been exerting a negative influence on spending, and that the trade balance is actually moving in the direction of greater deficit and this is slowing down the economy.

Paul O'Neill said he saw no big change in order rates, no inventory accumulation, no price pressures, and therefore, no slowing down of the economy. He also mentioned that many of the models at the macro level are not good at this point because they don't focus on the international aspects of the economy.

Kathryn Eickhoff felt that we don't have many signs of a slowdown now, but we are likely to be getting one later.

Trade and the Trade Deficit

John Akers warned that expectations had been raised that the recent changes in trade laws would result in an improvement

of the trade deficit. He was concerned that these changes in the law would escalate trade tensions between the U.S. and other countries. There was general agreement on these points.

Rahn worried about the discussion of "managed trade" that he has heard from certain members of the Administration, and felt that the Administration needs to establish a clear priority of a move toward free trade.

Volcker indicated that the trade deficit will not improve unless the savings investment balance improves. He stated that the bilateral trade deficit of the United States vis-a-vis Japan reflected Japanese savings being substantially greater than U.S. savings. The low U.S. savings rate is the problem in his view.

Laffer emphasized that a trade deficit can go on for a long time and the trade deficit is not the problem.

Stein said if it can't go on forever it will stop and agreed that the trade deficit is not a problem per se.

O'Neill then went on to describe how the Japanese are actually better at producing many goods than we are. In his experience, his Japanese competitors do a better job at producing some items than Alcoa.

John Akers agreed. "The Japanese are better at it than we are."

Then Rahn indicated that the trade deficit of the United States indicates a demand for U.S. dollars. Japan doesn't have a big trade surplus with the USSR because it doesn't want rubles.

Laffer worried that the dollar would fall if the trade deficit got worse and that this would have a negative effect on inflation, raising the prices of imported goods.

Sprinkel also said that the trade deficit was not a problem per se. "So what if there's a trade deficit," he said. "Most of the remedies for the trade deficit have costs which are significantly greater than benefits." He emphasized that investment to GNP ratios in the United States were doing quite well, at which point there was a discussion between Sprinkel and Volcker about whether real investment, or nominal investment, or gross investment, or net investment was strong.

Feldstein said that if one looks at the trade deficit from the middle of 1988, that it seems to be getting worse rather than better.

At this point Sununu asked O'Neill why the Japanese were better at producing certain goods than Americans. O'Neill went on to a long discussion of this subject indicating bad leadership, poor organization, poor treatment of hourly people, and a large bureaucracy which needs to be trimmed down in many U.S. companies. He felt that the problem was with U.S. business firms and argued that the main goal for government policy is to provide stability and sound tax policies and let the business sector keep going.

Means to Strengthen Productivity Growth

Most of the discussion in this area focused on education. O'Neill used his experience with Alcoa to emphasize the

importance of educational problems in the United States. He estimated that 20 percent of the workforce in some areas is functionally illiterate. He described remedial programs which had been tried out experimentally in certain plants to educate the workforce. He said that productivity has been stimulated very much by this.

Sununu said he thought the problem was more at the very top. People are not getting Ph.Ds any more. There was some discussion about whether it was more a problem of elementary and secondary education as distinct from advanced degrees.

O'Neill again emphasized that this was not a job of the Federal Government. "Don't tax us to provide what we should be providing ourselves" he said. "This is a problem for the private sector to handle."

Discussion with the President

At this point the President joined the meeting and Michael Boskin spent a few minutes summarizing the discussion that had gone on thus far. John Taylor summarized the discussion of the inflation and unemployment situation in the economy today. Martin Feldstein presented a brief overview of the savings problems facing the U.S. economy. He indicated that getting the savings rate up was a key issue, and in particular, the private savings rate. There was some dispute of the need to raise savings by Wanniski and Laffer, but basically the President was interested in what could be done to raise the saving rate.

Herb Stein suggested raising taxes, cutting social security, but not cutting defense. The President asked "Wouldn't raising taxes tend to reduce growth?" Stein answered that interest rates would fall if there were a tax increase. There was then some discussion about monetary policy. Volcker indicated that it would probably be unwise to expect the Fed to state formally that it would lower interest rates if taxes were increased, but this would occur through the policymaking process.

Continuing the discussion of tax changes, Richard Rahn indicated that any increase in taxes was most likely to lead to a dollar for dollar increase in government spending. He also indicated that there was a very weak empirical relationship between budget deficits and interest rates; bringing the budget deficit down would be unlikely to lower interest rates.

O'Neill indicated that he was nervous about the budget deficit and indicated a \$50 billion tax increase on gasoline would be great for the economy.

Akers also emphasized the problem with the budget deficit.

The President said he agreed that an increase in taxes would likely lead to an increase in government spending. Laffer said that he thought this would be the case too. Herb Stein said that there was no empirical evidence that higher taxes would lead to higher government spending.

There was some discussion about whether a tax increase would actually increase saving. Martin Feldstein said that his figures showed that national savings would clearly go up with a tax increase.

The discussion then turned to the Gramm-Rudman-Hollings legislation and its effectiveness. Kathryn Eickhoff was concerned about the loophole in Gramm-Rudman which allowed the deficit to increase after the Gramm-Rudman targets were hit. Richard Darman indicated that some fix-up in Gramm-Rudman would be useful, but he emphasized the advantages of the recent budget agreements. He said that sequester was still a possibility. Nick Brady indicated that, despite these loopholes, Gramm-Rudman is very useful. In his words, "It's the only element of sanity in the budget process."

The discussion then turned back to trade issues again with John Akers leading off the discussion, telling about his experience with Japan. IBM has been doing business in Japan for a long time. He has a lot of experience. He said the Japanese are the best competitors in the industry. The Japanese PC clone is of higher quality than American PCs. They're successful because they do a good job. We can't get workers to work as well as Japanese workers in his view.

Paul O'Neill agreed with this and went on to indicate that we need to do major changes with respect to education and leadership in the organization of business. He felt that it was time not to bash the Japanese but to bash American

industry. American industry should be committed to getting better every day and to get remedial training to the workforce where necessary. He again reiterated that this was not the business of the government, but of the private sector. The President indicated that he wanted to do more for education and there are ways to help. John Akers suggested that the "bully pulpit" be used and also suggested a group be assigned to assess progress in education. Later on he also suggested some kind of commission or conference of education leaders and mayors and governors to discuss the subject.

Richard Darman indicated that the overall thrust of economic policy should go beyond opening markets. It should also focus on developing human capital. Efforts to restore the importance of the family and address various cultural problems could alleviate many of the educational problems the country faces.

Finally, there was a discussion of the cost of capital in the United States being much higher than in Japan. This leads to less investment as well as investment in shorter lived assets. Paul Volcker stated that the source of this difference in the rate of return is the higher savings in Japan compared that in to the United States. At this time the meeting was adjourned. The discussion was to be continued over lunch.

Additional Issues Raised at Lunch

1. Taxes

The outside economists and business people were fairly evenly split on whether a tax increase would be a good idea. Those in favor of a tax increase included O'Neill, Akers, Volcker, Feldstein, and Stein. Those against a tax increase included Rahn, Eickhoff, Wanniski, Sprinkel, and Laffer.

O'Neill again suggested a gasoline tax stating that it would send the stock market soaring. He stated that he is in favor of such a tax even though it would be bad for Alcoa. Akers also favored a gasoline tax. Volcker, Feldstein, and Stein were in favor of a tax increase in general and did not focus on gasoline. In answer to the President's question about tax increases leading to more wasteful government expenditures, Stein admitted that a tax increase would lead to expansion of government programs he didn't like, but it would also permit programs that he did like.

In fact, much of the opposition to the tax increase focused on whether it would lead to a dollar-for-dollar increase in government expenditure and thereby little effect on the deficit. Sprinkel, Rahn, and Eickhoff emphasized this but Wanniski and Laffer were against the tax increase for the additional reason that it would be bad for the economy. They mentioned adverse supply-side effects. Laffer argued that taxes and borrowing are equivalent and therefore a tax increase wasn't worth the risk of more government spending.

Sununu asked whether the difference in views might be explained by disagreement over whether government spending would rise by 100 percent of a tax increase, or whether it would rise by 0 percent. Clearly the truth is somewhere in between. Herb Stein advised the President to have his economic advisers conduct an econometric study of the effect of tax increases on government spending.

Boskin tried to pull the group together by asking whether institutional changes (such as a modification of Gramm-Rudman or giving the President greater budget authority which might reduce the threat of an increase in government spending following a tax increase) would reduce the opposition to a tax increase. Sprinkel said such changes would reduce his opposition, but added that the changes were unlikely. There was also some discussion of bundling the capital gains tax cut with a gasoline tax increase. The President stated that vetoing the minimum wage bill coming from Capitol Hill would be part of his effort to establish credibility about resisting spending increases.

2. Short-Run Outlook

At lunch there seemed to be less of a consensus on the economic outlook than in the morning meeting. Eickhoff indicated that even though she didn't see a marked slowdown yet, she felt that the Fed would (and should) try to get real GNP growth down below 3 percent and would keep raising interest rates until a slowdown occurred. Feldstein indicated that the inflation rise went beyond oil and that the Fed should try to

get inflation down below 5 percent anyway. He suggested under 4 percent by 1991 as one example target. Sprinkel repeated that there was already monetary restraint in the system. Laffer felt the opposite.

3. Saving-Investment Incentives

There was considerable debate about the effectiveness of tax incentives to increase private savings such as Individual Retirement Accounts (IRA). Feldstein felt that his numbers on low financial savings in certain income groups suggested such incentives would have a big effect. Rahn agreed with Feldstein but Volcker strongly disagreed.

S N F

- o We appreciate the efforts of the Canadians and other Allies in suggesting compromises on the SNF issue. We share a common goal of an acceptable solution to this issue at the NATO Summit.
- o Prior to the visit of German Foreign Minister Genscher and Defense Minister Stoltenberg to Washington last month, we had provided to the German Government specific language on SNF for the comprehensive concept, the document that NATO agreed in 1988 would address this issue. We told the German Government that we wished to reach an understanding with them and then discuss this issue with our other Alliance partners.
- o To date, although the German Government has expressed its views on SNF, it has given us no specific comments on the language we provided before their Ministers' visit. We think the next step in the process, therefore, should be for us to receive a response from the Germans on our language.
- o Our views on SNF have not changed. NATO needs an appropriate mix of conventional and nuclear systems, including an up-to-date land based missile in Europe. In addition, we believe that negotiations on SNF at this time are not in the Alliance's interest. Given the tremendous Soviet advantage in conventional and nuclear systems in Central Europe, conventional forces negotiations are and should remain our priority.

POSSIBLE QUESTIONS AT BUSH/MULRONEY "SCRUM" - May 4, 1989

- 1) Is it true that you have no new initiatives to offer in any START negotiations?
- 2) What is your reaction to Senator Nunn's call for the Administration to negotiate SNF with the Soviet Union as long as West Germany agrees to Lance modernization?
- 3) Admiral Crowe allegedly has no problems with Nunn's idea. Is there a split within your Administration?
- 4) When will you speak out on your involvement in the Iran-contra affair?
- 5) Any reaction to Congressional threats to withhold foreign assistance for Central America until the administration responds to questions about your role in the quid-pro-quo deal with Honduras?
- 6) Arafat says the Palestine National Council's charter is null and void. Do you accept his comments; and, do you view this as a positive development?
- 7) How do you think the SNF issue will be resolved?
- 8) How did your discussions on acid rain go?
- 9) You've already declared the Panamanian elections fraudulent. What steps are you prepared to take to deal with Noriega?
- 10) When will you have anything to say about the Policy Reviews?
- 11) If NATO insists on not modernizing or eliminating SNF, will you remove U.S. troops from Europe?
- 12) Are you displeased with Canadian decision to cut back their Nuclear Sub program?
- 13) Will you increase taxes on gasoline in your FY '91 budget?
- 14) Will you propose relaxation of anti-trust laws to spur development of high technology equipment?

THE WHITE HOUSE

WASHINGTON

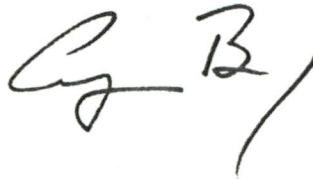
May 4, 1989

Dear Amy:

Just a brief note to say that I hope your visit to Washington with your mother, aunt and cousin was great. There are so many beautiful and historical places of interest that make touring our capital city a truly memorable time.

Barbara joins me in sending our best wishes to you, and especially to Judith.

Sincerely,

A handwritten signature in black ink, appearing to be "G. Bush" with a large, stylized "B" and a long horizontal stroke extending to the right.

Mrs. C. N. Powell
606 North 10th Street
Navasota, Texas 77868

023612
FG001-03

890504



THE PRESIDENT

Dear Evelyn,

Pardon my delay in responding to your thoughtful note.

Barbara and I were thrilled that you and your son, Patrick, could come to the Blair House. It was wonderful to be with our USS Finback friends after 44 years.

Thanks so much for being with us, and best wishes to you and yours.

Sincerely,

A
GEORGE BUSH

FROM
THE WHITE HOUSE
WASHINGTON, D.C.

Mrs. Evelyn Padgett
923 South York Street
Denver, Colorado 80209

890504

law enforcement ✓

THE WHITE HOUSE

WASHINGTON

May 4, 1989

Dear Daryl:

As you celebrate your 40th anniversary of service with the Los Angeles Police Department, I want to send congratulations and thanks for a job well done. Your service has been a tremendous credit to the police department and to the people of Los Angeles.

For the last four decades, you have served as a distinguished and highly decorated veteran on the front lines in our never-ending war against crime. It takes a very special individual to be a police officer -- one who willingly takes great risks for his fellowman. Fortunately for the people of Los Angeles, you had the mettle to take on one of the toughest and most honorable jobs in America. You are a "peace" officer in the truest sense of the word, and it is with much pride that I join the men and women of the "3rd Floor Detectives" in thanking you for your devoted service to Los Angeles and to our Nation.

On a personal note, I want to express my deep appreciation for the many times you gave me a police officer's perspective on crime and on the war against drugs. My visit to a crack house with you and your officers made me even more determined to eradicate this scourge. Most important, I shall always remember the dedication of your men. Your legacy of service lives on in the men you lead.

Barbara joins me in sending best wishes for every future success. God bless you.

Sincerely,



Mr. Daryl F. Gates
Chief of Police
Los Angeles Police Department
Los Angeles, California

041168

00045

COPY
from ORM

THE WHITE HOUSE
WASHINGTON

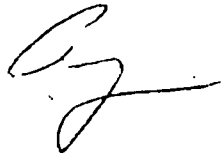
May 4, 1989

~~Hosni~~
Dear Mr. President:

It was a pleasure to welcome you to the White House as a good friend of the United States. I'm pleased to have had this opportunity to renew our close personal relationship.

Barbara and I were delighted to have you and Suzanne with us -- and we thank you for your thoughtful gifts. The handsome rug and the beautiful crocheted bedspread exemplify the great patience and skill of your country's artisans. Please know that you have our appreciation for your kindness and our warm best wishes.

Sincerely,



His Excellency
Mohammad Hosni Mubarak
President of the Arab Republic of Egypt
Cairo

890508

THE WHITE HOUSE
WASHINGTON

SCHEDULE OF THE PRESIDENT

Tuesday, April 4, 1989

8:00 am	Intelligence Briefing	Oval Office
8:15 am	National Security Briefing	Oval Office
9:30 am	Meeting with Costa Rican President Arias	Oval Office
12:00 noon	Lunch with Education Secretary Cavazos	Oval Office
2:00 pm	Address American Business Conference	450 OEOB
4:45 pm	Meeting with Governor Sununu	Oval Office
7:30 pm	✓ B Dinner for Egyptian President and Mrs. Mubarak	Residence

04/03/89
4:00 pm

041256

CO 074

COPY
from CRM

THE WHITE HOUSE
WASHINGTON

May 4, 1989

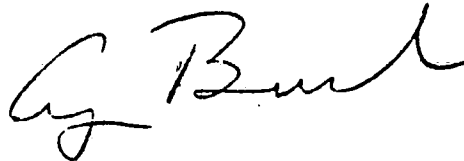
Dear Mr. Prime Minister:

It was a pleasure to welcome you to the White House and to renew the historic bonds of friendship between Israel and the United States. I hope you enjoyed your stay in Washington -- including the visit to the Air and Space Museum.

Your gifts of the inscribed copy of The Passover Haggadah and the beautiful pendant bearing a quotation from the Book of Numbers are deeply appreciated by Barbara and me. They are treasured keepsakes of the goodwill we share.

Please know that you and Mrs. Shamir have our warm best wishes.

Sincerely,



His Excellency
Yitzhak Shamir
Prime Minister of Israel

890508

THE WHITE HOUSE

WASHINGTON

SCHEDULE OF THE PRESIDENT

Thursday, April 6, 1989

8:00 am	Intelligence Briefing	Oval Office
8:15 am	National Security Briefing	Oval Office
9:30 am	Meeting with GOP Congressional Leadership	Cabinet Room
11:00 am	✓ Meeting with Israeli Prime Minister Shamir	Oval Office/ Cabinet Room
4:45 pm	Meeting with Governor Sununu	
7:30 pm	✓ Dinner for Prime Minister and Mrs. Shamir	Residence

8 900 401 A/B

CITY (JERUSALEM) IS NOT TO BE SHOWN
IN ADDRESS.

04/05/89
4:00 pm

045888
ME001
C O P Y
from ORM

THE WHITE HOUSE
WASHINGTON

May 4, 1989

Dear Daryl:

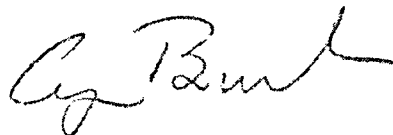
As you celebrate your 40th anniversary of service with the Los Angeles Police Department, I want to send congratulations and thanks for a job well done. Your service has been a tremendous credit to the police department and to the people of Los Angeles.

For the last four decades, you have served as a distinguished and highly decorated veteran on the front lines in our never-ending war against crime. It takes a very special individual to be a police officer -- one who willingly takes great risks for his fellowman. Fortunately for the people of Los Angeles, you had the mettle to take on one of the toughest and most honorable jobs in America. You are a "peace" officer in the truest sense of the word, and it is with much pride that I join the men and women of the "3rd Floor Detectives" in thanking you for your devoted service to Los Angeles and to our Nation.

On a personal note, I want to express my deep appreciation for the many times you gave me a police officer's perspective on crime and on the war against drugs. My visit to a crack house with you and your officers made me even more determined to eradicate this scourge. Most important, I shall always remember the dedication of your men. Your legacy of service lives on in the men you lead.

Barbara joins me in sending best wishes for every future success. God bless you.

Sincerely,



Mr. Daryl F. Gates
Chief of Police
Los Angeles Police Department
Los Angeles, California

890508

25
LOS ANGELES POLICE DEPARTMENT

DARYL F. GATES
Chief of Police



TOM BRADLEY
Mayor

P. O. Box 30158
Los Angeles, Calif. 90030
Telephone:

(213) 485-4131

Ref #: 8.2.3

February 21, 1989

X-710 a
The Honorable George Bush
President of the United States
The White House
Washington, D.C. 20500

Dear President Bush:

On September 16, 1989, Daryl F. Gates, Chief of Police for the City of Los Angeles will have completed 40 years with the Los Angeles Police Department. In recognition of his 40th Anniversary, the men and women of Detective Services Group ("3rd Floor Detectives") will honor the Chief on Friday, September 15, 1989, with a Steak Fry at the Armory Building, California Museum of Science and Industry, 700 State Drive, Los Angeles, CA 90037. Tickets will be available after June 13, 1989, at Detective Headquarters Division, at (213) 485-2504, cost \$17.

As part of the program we will present him with a bound copy of personal thoughts from those who have been involved with his professional career. If you would like to join in this project, I suggest that your comments be limited to one 8-1/2 x 11" type-written page. There will be only one copy of this book made for the Chief; so inside reminiscences between you and him may be appropriate.

Your contribution should be forwarded by May 1, 1989, to Ms. Merna Oakley, Bunco-Forgery Division, Los Angeles Police Department, 150 North Los Angeles Street, Room 202, Los Angeles, CA 90012, (213) 485-4131.

Very truly yours,

DARYL F. GATES
Chief of Police

DOUGLAS C. WATSON, Captain
Commanding Officer
Bunco-Forgery Division

mail
to
Inside
to Daryl F. Gates
Chief of Police
Los Angeles Police Department
Los Angeles, CA

W-A-G
(Appreciation)

FROM
THE WHITE HOUSE
WASHINGTON, D.C.

White House Carpenters
(through Usher's Office)



THE PRESIDENT

May 4, 1989

To the Carpenters

That Cabinet for type-
writer etc. is superb

Every time I look at it I
say "thanks" for its beauty

and thanks for
your craftsmanship

Sincerely,

Ly Bush

May 4, 1989

pool report for Bush breakfast with religious leaders

At 8:43 a.m., Bush spoke before about 75 religious leaders, congressmen and administration officials in the State dining room. Among those present were John Sununu, Elizabeth Dole, Strom Thurmond, Howell Heflin and Jerry Falwell. The president's remarks were a pastiche of jokes, exhortations to crack down on drugs and homilies to the importance of prayer and values (Text to be posted). The required reference to the departure of Millie's puppy was also made. Bush presented a plaque to Vonette Bright, the chairwoman of National Prayer Day. His remarks took about eight minutes.

pool report for Bush meeting with House GOP whips

We were ushered into the Cabinet Room about 8:25. The table was crammed with Republicans; Newt Gingrich seated next to the president. Helen Thomas' question on whether the president was being too friendly with Democrats was gently parried by Bush, who explained to his guests that she was attempting to test the system. As we left, the president began his remarks by saying he wanted to discuss what the White House was trying to do.....

Tom Baden
Newhouse

George Bush Presidential Library Transfer Sheet

COLLECTION:

Bush Presidential Records
Office of the President

ACCESSION NUMBER:

1993.0001

FOIA/SYSTEMATIC
PROCESSING CASE
NUMBER (if app.):

☐ Transferred During Accessioning

☒ Transferred During Processing

2009-0166-S

The following material was transferred to:

☒ **Audiovisual Collection**

☐ **Book Collection**

☐ **Museum Collection**

☐ **Other**

Other (Specify):

DESCRIPTION:

White House Photographs: P002793-17A [Arrival of new puppy, "Spot"]; P02763-01 & P02760-07 [Brian Mulroney]; P02736-24 [Prayer Breakfast]; P02746-24 [Mrs. Mulroney Parklawn Elementary]; P002770-05 [Reception for Bipartisan membership]; P02778-04 [GB & pups]

When transferring
material to the
museum
collection,
complete the
following.

Donor:

Donor Org.:

Address:

Telephone:

Book Location:

Row:

Section:

Shelf:

Position:

Map Case Location:**Series:**

Daily Files

Box Number:

10

Folder Title:

Thursday, May 4, 1989

OA/ID Number:

90509-011

Transferred by:

Deborah Wheeler

Date of Transfer:

4/16/2009

Received by:

Mary Finch

Date Received:

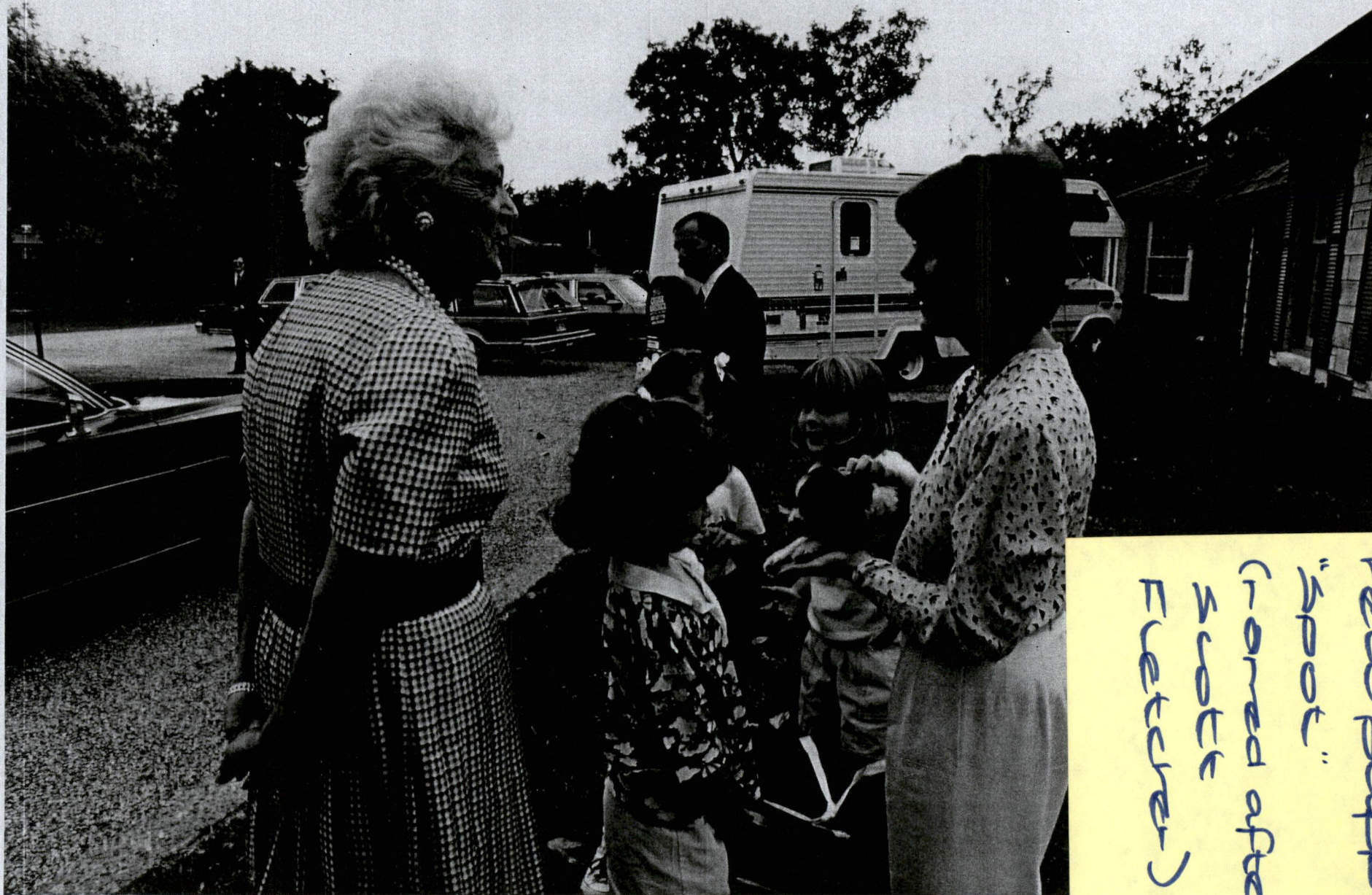
4/16/2009

Go to Database
Navigator

Go to Accession
Register

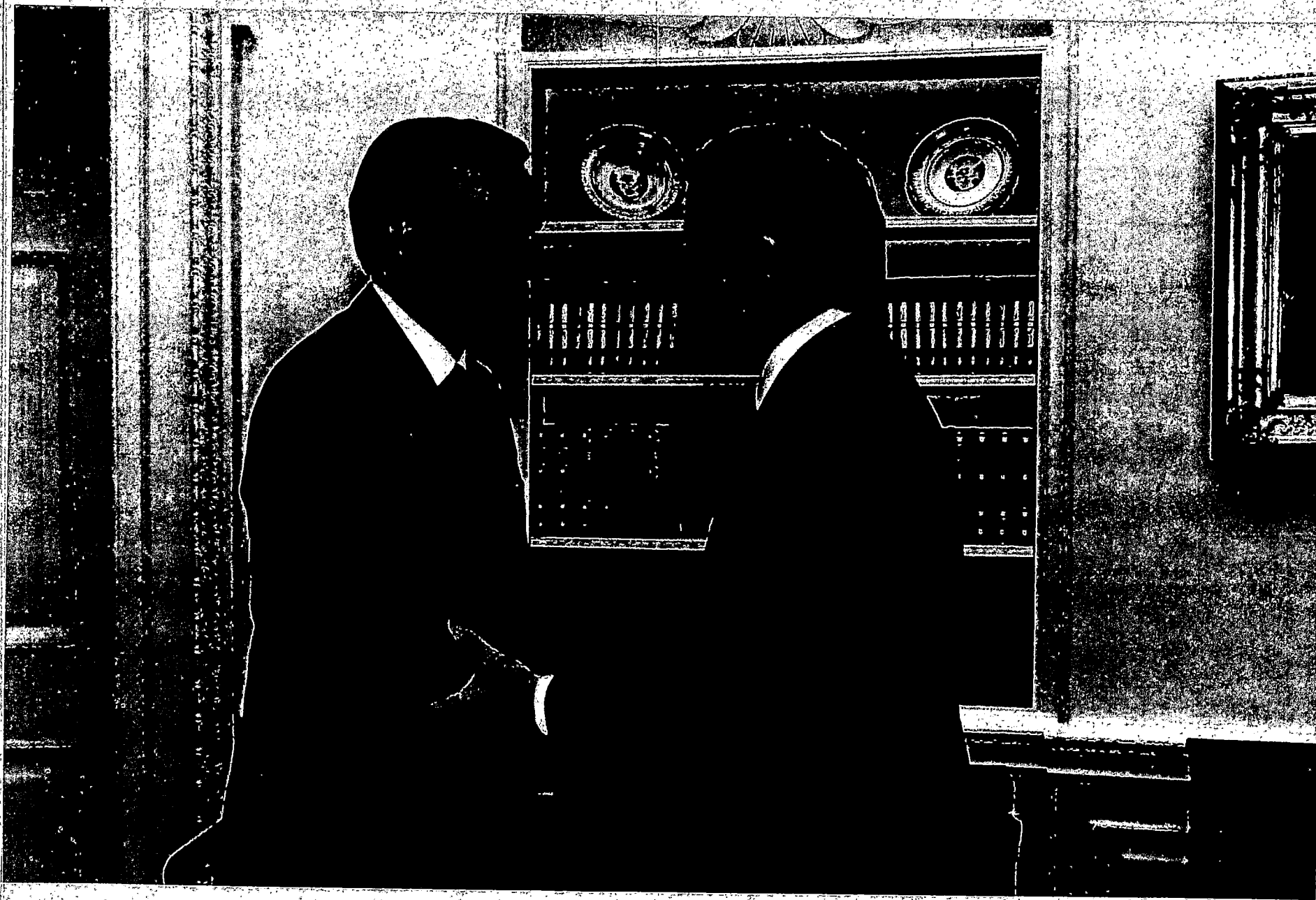
Go to Withdrawal Sheet

Print Record



Arrival of
new puppy,
"Spot"
(named after
Scott
Fletcher)

OFFICIAL WHITE HOUSE PHOTOGRAPH 04 MAY 89 P002793-17A CP



OFFICIAL WHITE HOUSE PHOTOGRAPH 04 MAY 89 P02763-01 DV



OFFICIAL WHITE HOUSE PHOTOGRAPH 04 MAY 89 P02760-07 DV

Prayer
Breakfast



OFFICIAL WHITE HOUSE PHOTOGRAPH 04 MAY 89 P02736-24 SB

Mrs. Mulrooney
Portland
Elementary

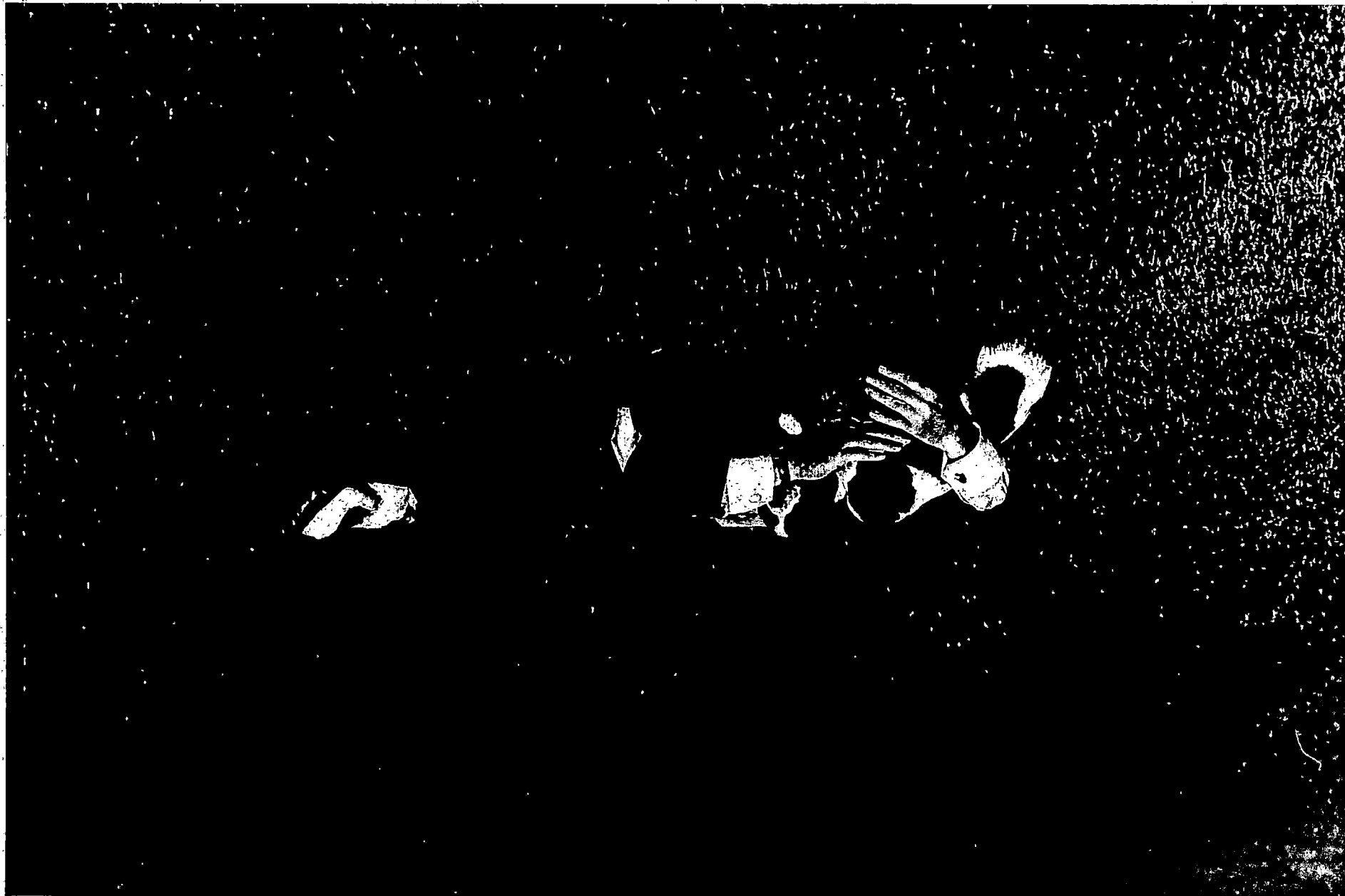


OFFICIAL WHITE HOUSE PHOTOGRAPH 04 MAY 89 P02746-24 CP

Reception
for
Bipartisan
Membership



OFFICIAL WHITE HOUSE PHOTOGRAPH 04 MAY 89 P002770-05 SB



OFFICIAL WHITE HOUSE PHOTOGRAPH 04 MAY 89 P02778-04 SB