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**Record Group/Collection:** George H.W. Bush Presidential Records  
**Collection/Office of Origin:** Speechwriting, White House Office of  
**Series:** Speech File Backup Files  
**Subseries:** Chron Files, 1989-1993

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**OA/ID Number:** 13708  
**Folder ID Number:** 13708-006

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**Folder Title:**  
American Electronics Association 3/7/90 [OA 6854]

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THE WHITE HOUSE  
WASHINGTON

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| Abbott - 317-4772<br>P.4 - JPL language | Voigt | Jim P.4 70%4 for<br>Eisenhower M's Ed Am | Policy - product liability |
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FACSIMILE TRANSMITTAL SHEET

NUMBER OF PAGES INCLUDING COVER

(11)

DATE 3.2.90

TO DAVID DEMAREST

FAX NUMBER 619.341.8922 **PALM SPRINGS**

OFFICE NUMBER 619.341.8900 **STAFF OFC.**

COMMENTS

AMERICAN ELECTRONICS ASSN.  
INFO.

FROM CAROLYN CAWLEY

FAX NUMBER 202.456.6218

OFFICE NUMBER 202.456.7750

• PLEASE CALL IF YOU NEED MORE!



3-2-80

DAVID DEMAREST

618-341-8422 PALM SPRINGS  
STAFF OFF.  
618-341-8400

AMERICAN ELECTRONICS ASSN.  
INFO.

CAROLYN COWLEY  
203-426-6318  
203-426-1120

• PLEASE CALL IF YOU NEED MORE!

THE WHITE HOUSE  
WASHINGTON

March 2, 1990

MEMORANDUM

TO: DAVID DEMAREST  
FROM: CAROLYN CAWLEY  
SUBJECT: AMERICAN ELECTRONICS ASSOCIATION SPEECH

Mark Lange called this afternoon to say that you needed information on (1) Super 301 and (2) the work/industries that the AEA represents.

I. SUPER 301

I spoke with Steve Farrar, Associate Director for International Economic Policy (upstairs, OEOB). He tells me that THIS MORNING Secretary Brady sent a detailed memo to the President out in California. This memo contains all of the information you would need for the AEA speech.

Governor Sununu has personal interest in this speech so I hope that you are able to see the Brady memo through him. As a backup though, I am attaching 2 background papers from Steve Farrar's office. One discusses US trade policy in general; the other outlines US-Japan trade issues.

II. RANGE OF INDUSTRIES REPRESENTED BY THE AEA

Mr. John Mancini, PAO for the AEA, has provided me with a list of the various kinds of industrial efforts that the AEA represents. He calls them a "food chain" of sorts: developments in one field of the industry have profound effects in other endeavors.

They run the gamut of:  
semiconductors  
personal computers  
circuit boards  
telecommunications equipment  
test & measurement instruments  
search & navigation equipment

superconductors  
defense electronics  
microchips  
business machines

# Withdrawal/Redaction Sheet

## (George Bush Library)

| Document No.<br>and Type | Subject/Title of Document                                                                         | Date | Restriction | Class. |
|--------------------------|---------------------------------------------------------------------------------------------------|------|-------------|--------|
| 01. Memo                 | Page 2 of memo to David Demarest, re: Etc., etc., etc.;<br>personal information redacted. (1 pp.) | n.d. | P-6, (b)(6) |        |

**Collection:**

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**Subseries:**  
**WHORM Cat.:**  
**File Location:** American Electronics Association 3/7/90

|                                      |                            |
|--------------------------------------|----------------------------|
| <b>Date Closed:</b> 10/14/2004       | <b>OA/ID Number:</b> 06854 |
| <b>FOIA/SYS Case #:</b>              |                            |
| <b>Re-review Case #:</b> 2004-2265-S |                            |
| <b>P-2/P-5 Review Case #:</b>        |                            |
| <b>MR Case #:</b>                    | <b>Appeal Case #:</b>      |
| <b>MR Disposition:</b>               | <b>Appeal Disposition:</b> |
| <b>Disposition Date:</b>             | <b>Disposition Date:</b>   |

### RESTRICTION CODES

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

P-1 National Security Classified Information [(a)(1) of the PRA]  
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P-3 Release would violate a Federal statute [(a)(3) of the PRA]  
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C. Closed in accordance with restrictions contained in donor's deed of gift.

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

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(b)(9) Release would disclose geological or geophysical information

PAGE 2 OF MEMO TO DAVID DEMAREST

III. ETC. ETC. ETC....

I will be home all weekend so please call me if you need anything more. My number at home is (202)

Richard Steinberg is with the Counsel's Office at USTR and has "big picture" information. He has said that he will be in this weekend and to please call if he can be of assistance. His number at the office is (202) 395-6800.

John Mancini, PAO for the AEA, has also offered his home phone number if we should need to speak with him:

His number at work is (202) 682-9110.

Finally, Jeff Vogt is the project officer for the AEA event. He is in Arizona for the weekend and can be reached at :  
(602) 948-4753.

Trade Policy  
March 2, 1990

## BACKGROUND PAPER

### U.S. Trade Policy

#### Introduction

When President Bush assumed office last year, there was much controversy surrounding U.S. trade policy. Trade deficits were large and expected to continue indefinitely. The size and persistence of the bilateral trade deficit with Japan had added to the frustration with the global deficit. Congress had passed the Omnibus Trade and Competitiveness Act of 1988 that was in part an expression of this frustration and in part a reflection of suspicion that the Executive Branch would not effectively deal with the problem. So deep was this suspicion that Ambassador Hills was pressed hard during her confirmation hearings for a commitment that she would implement the Trade Act.

In retrospect, the first year turned out remarkably well. Much of the credit is due to the Administration's trade strategy, which was built upon the following principles.

1. Strengthening and expanding the multilateral trading system through the Uruguay Round negotiations.

Our leading trade priority has been the Uruguay Round of multilateral trade negotiations. We have proposed far-reaching reforms of the global trading system, with the aim of bringing trade in agriculture, services, intellectual property, and investment under effective GATT rules and disciplines. In April, Ambassador Hills broke a deadlock that threatened to prevent the talks from moving forward. At the Paris Summit in July, the President strengthened the commitment among heads of government to a successful Uruguay Round.

2. Implementing the Trade Act of 1988 in a way that meets both Congressional expectations and Administration trade objectives.

The President's decision to identify specific Japanese practices under Super 301 showed that the Administration would implement the Trade Act in good faith. At the same time, the decision promoted our Uruguay Round objectives and did not put undue strain on our relations with key trading partners.

3. Restoring good relations with the Congress.

In contrast to the persistent frictions over trade policy during the Reagan Administration, Congress has generally supported the Bush Administration's trade strategy. Congress appears satisfied that the Bush Administration is consulting closely with it and is committed to working out problems in a constructive way.

4. Addressing the bilateral trade imbalance with Japan through market-oriented solutions rather than managed trade.

Despite pressure to manage trade with Japan, we have insisted that bilateral trade concerns be addressed by seeking to open Japanese markets to imports, rather than by specifying trade targets for individual industries or closing our own markets. In Super 301 and in other contexts, we have pushed Japan hard to eliminate unfair trade practices and provide reciprocal access to American firms. Last July, the President and then Prime Minister Uno launched the Structural Impediments Initiative (SII) aimed at removing systemic and cultural barriers to U.S. exports.

5. Phasing out existing protection in a way that moves steadily toward a system of free and fair trade.

The President's steel VRA decision successfully struck a balance between the steel industry, which wanted five additional years of protection, and steel consumers, who were concerned about the long-term effects of VRAs on their competitiveness. The decision was perceived as a strong and politically courageous move toward open markets.

Current Status

Based on discussions with members of Congress, representatives of the business community, and foreign officials, a common perception has emerged that the Bush Administration:

- o Is pragmatic rather than ideological;
- o Places a higher priority on free and fair trade while de-emphasizing free-trade rhetoric;
- o Is tough and committed to seeking fair access for American exports, but in a manner consistent with free trade and market-oriented principles; and
- o Strongly opposes "managed trade" and industrial policy.

The basic perceived distinction between the Bush Administration and the Reagan Administration is that, while the Bush Administration is equally committed to an open, market-oriented trading system, it assigns a higher priority to addressing day-to-day trade problems practically.

While there has been some foreign criticism of U.S. "unilateralism", most governments appear to understand that our long-term priority is to strengthen the GATT system and that we are using Super 301 and other authorities to help achieve that objective.

#### Outlook for 1990

The coming year will be a difficult one to implement a successful trade strategy. The following economic and political factors will combine to produce sustained controversy.

1. The trade deficit is unlikely to improve quickly.

Many economic forecasters project that the two-year improvement in the trade deficit may have stalled in the \$100 billion range. While the recently announced deficit of \$7.2 billion for December (a decline of \$3.1 billion from November) offers some encouragement, sustained improvement is likely to be slow. Also the bilateral deficit with Japan is expected to remain in the \$50 billion range.

2. Bilateral pressures with Japan will persist.

During the first half of the year, the Administration must resolve a series of sensitive trade issues with Japan. We face deadlines on section 301 cases involving construction and telecommunications, and on the three Super 301 cases initiated last year involving satellites, supercomputers, and forest products. The Administration must also decide in April whether to initiate additional Super 301 cases. Finally, the Administration must issue an interim SII report by mid-April and a final report in July.

The increasing public concern about Japanese trade and investment and the lack of movement in the bilateral trade deficit will increase the difficulty of managing the vitally important U.S.-Japan relationship. The bilateral deficit is, of course, mainly the result of macroeconomic imbalances and will diminish only when those imbalances are corrected. With respect to trade barriers, we are moving now to take advantage of the favorable outcome of the Japanese election to seek rapid progress in the outstanding negotiations. Lack of progress could

jeopardize public and Congressional support for our policy, leading to pressure for a more confrontational strategy.

3. As the November election approaches, the Democrats are likely to resurrect the theme of economic nationalism.

From discussions with trade and political experts, there is no doubt that the Democrats are looking for a way to take advantage of an increasingly negative public attitude toward trade in general and Japan in particular. They believe that the themes of economic nationalism and managed trade offer a way not only to criticize Republican stewardship but to offer a new model of the role of government in the economy. We can expect them to advocate an inward-looking policy in the name of protecting American jobs and our national security. These themes were hinted at by House Speaker Foley in his response to the President's State of the Union address.

4. The Uruguay Round will take concerted effort to achieve success.

The 1992 "single market" program and the challenge of responding to the dramatic events in Eastern Europe have diverted the attention and resources of the European Community, thus weakening its already uncertain commitment to the Uruguay Round. In addition, the EC is reluctant to dismantle existing farm subsidy programs and border protection, as proposed by the United States.

Some elements of the U.S. farm community are also uncertain whether it is in their long-term interest for agricultural distortions to be removed both here and abroad. Without substantial movement on agriculture, it is likely that the Uruguay Round could stall.

#### Strategy for 1990

Given the obstacles that we will face this year, we will need to be especially adroit in implementing our trade strategy. The following four elements are key to an effective strategy.

1. Our top priority should be achieving a success in the Uruguay Round by December 1990.

A successful Uruguay Round will set a positive tone for trade relations for many years. A failure in the Round would threaten the existence of the multilateral trading system.

While some elements of the Uruguay Round are outside our direct control, it is becoming clear that nothing will happen without the President's visible support and participation. The President will have opportunities to build support during the Houston Economic Summit. It may also be desirable this spring for the President to deliver a speech on trade policy, which would underscore the importance of the negotiations.

As the talks move forward, we will be faced with tough political decisions on agriculture, textiles, and antidumping measures.

2. Maintain our firm opposition to managed trade.

The best counter to managed trade is to define the debate in terms of a strong program for strengthening U.S. competitiveness. This means continuing to develop the theme that articulated in the President's State of the Union address, highlighting the international implications of his proposals to increase the savings rate, to promote research and development, to strengthen our education system, and to set reasonable boundaries on product liability. Our broad aim should be to reshape business thinking to encourage greater emphasis on corporate responsibility, managing for the long term, and quality.

In addition, the Administration must produce results in bilateral negotiations with Japan and on SII. The Uruguay Round does not offer a credible solution to the problems that our companies face in penetrating the Japanese market.

3. Continue to develop regional trade opportunities.

There are several regions in which trade can be an important adjunct to achieving foreign policy and other goals. For example, we need a better response to the economic issues raised at the drug summit. Trade can also be an important part of our response in East Europe. We should also press ahead with negotiations toward a trade agreement with the Soviet Union. Finally, initiatives with Mexico, the Caribbean, and the Pacific Rim will help reinforce market-oriented trends in those areas.

4. Continue to pursue a policy of free and fair trade.

We must continue to implement carefully the market-opening provisions of the 1988 Trade Act, particularly Super 301. Other countries could interpret additional pressure as evidence of U.S.

unilateralism, thus jeopardizing the Uruguay Round. On the other hand, failure to use section 301 aggressively to open foreign markets and address unfair trade practices could lead to renewed conflict with the Congress.

March 2, 1990

## BACKGROUND PAPER

### U.S.-Japan Trade Issues

#### Introduction

Pressure on bilateral trade relations is due in part to a series of deadlines imposed by the Omnibus Trade and Competitiveness Act of 1988 and in part to self-imposed deadlines under the Structural Impediments Initiative (SII) talks. The most significant ones are listed below.

- o By mid-April, U.S. and Japanese participants in the SII talks must produce an interim assessment of progress.
- o By April 30, the U.S. must decide what (if any) new actions to take under Super 301 against Japanese practices that inhibit our exports.
- o By June 16, the U.S. must decide whether negotiations begun last year under Super 301 (on forest products, supercomputers, and satellites) have been successful.
- o By mid-July, a final report is due on the SII talks.

There is a growing popular sentiment in this country that our economic troubles can be traced to unfair practices of the Japanese. Many observers have suggested that Japan does not abide by normal market rules, and that "managed trade" is the only way to ensure our national economic security. This viewpoint has many adherents in the Congress.

This bilateral friction threatens to undercut the Administration's international trade strategy, which rejects managed trade and is built around the successful completion of the Uruguay Round negotiations by the end of the year.

#### Status of Negotiations

The third session of the SII talks was held in Tokyo on February 22-23. There was little progress. The next session is scheduled for March 20 in New York.

The Super 301 negotiations have been underway in Tokyo this week on all three product areas identified: forest products, supercomputers, and satellites. Although negotiations have been difficult, practical solutions can be reached in all negotiations if there is sufficient political leadership from the Japanese side. The next rounds of talks will occur in mid-March. Other

politically charged bilateral negotiations are also underway on telecommunications, construction, and semiconductors.

We need to renew and reinvigorate the political commitment to substantial and timely conclusions to the bilateral trade negotiations now underway. In particular, it is important to agree on meaningful progress to include in the April SII interim report and to resolve the ongoing Super 301 cases. A successful SII is important economically in two ways.

- o First, it will lower barriers to U.S. exports in many sectors of the Japanese economy.
- o But more importantly, it will contribute to lasting balance-of-payments adjustment.

A successful conclusion to the Super 301 cases is also important to demonstrate the Administration's commitment to opening foreign markets.

# Withdrawal/Redaction Sheet

## (George Bush Library)

| Document No.<br>and Type | Subject/Title of Document                                                                                  | Date     | Restriction | Class. |
|--------------------------|------------------------------------------------------------------------------------------------------------|----------|-------------|--------|
| 02a. Memo                | Carolyn Cawley to Mark Lange, re: American Electronics Association; personal information redacted. (1 pp.) | 02/28/90 | P-6, (b)(6) |        |

**Collection:**

**Record Group:** Bush Presidential Records  
**Office:** Speechwriting, White House Office of  
**Series:** Speech File, Backup  
**Subseries:**  
**WHORM Cat.:**  
**File Location:** American Electronics Association 3/7/90

**Date Closed:** 10/14/2004  
**FOIA/SYS Case #:**  
**Re-review Case #:** 2004-2265-S  
**P-2/P-5 Review Case #:**

**OA/ID Number:** 06854

**MR Case #:**  
**MR Disposition:**  
**Disposition Date:**

**Appeal Case #:**  
**Appeal Disposition:**  
**Disposition Date:**

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February 28, 1990

INFORMATION

MEMORANDUM

TO: MARK LANGE  
FROM: CAROLYN CAWLEY

SUBJECT: American Electronics Association

\*\*\* A brief note before this begins... Jeff Vogt would really like to discuss this with you on the phone, and I think it's a good idea too because he really knows this stuff and it's safer than me relaying it. He'd like you to call him at home tonight (2/28) after 11:00 EST. His number is: [REDACTED] P-6, 4X(10)

Among his suggestions were: to really beef up, in the front of the speech, a big pat on the back to the AEA. Highlight the leadership role they have played in the industry for the last century, especially in innovation and product development. Also, you'll see from reading the fax I sent you (the letter and TP's from AEA, re: the Governor) that the AEA agrees with this Administration on EVERYTHING and it's rare to speak to a group so supportive.

1. p. 1/Introductions: Neither David Packard nor Bob Noyce will be present. If we want a historical twist, we can say that "from your ranks have come David Packard, one of the founders of Hewlett-Packard, and Ed Zschau."

Also, someone who WILL be present is Mr. Gary Tooker, President of Motorola and last year's recipient of the Baldrige Award.

2. p. 3/paragraph 1: The Savings and Economic Growth Act was introduced on February 2...since this AEA speech will be in March, we need to say "early last month we sent to Congress..."

The Savings and Economic Growth Act has three prongs:  
capital gains  
IRAs  
family savings

a. We discuss capital gains and IRAs but not family savings. My man at Treasury (Asst. Secretary) recommends that we mention family savings as well because POTUS discussed family savings specifically in the State o' the Union. How about:

"We're proposing new incentives for IRAs as well as an innovative family savings account."

b. Secondly, he suggests that we move the cap gains graph to be within the context of SEGA (Savings and Econ Growth Act). He says that AEA is our primary private industry supporter of this, so: first, it would be good to beef up the cap gains graph.

We can not let the AEA split cap gains from the rest of SEGA in their own minds, and it was an administration decision to keep them together. Let's discuss cap gains within the context of SEGA along with IRAs and family savings.

3. p.3/paragraph 4: "a new National Math and Science Scholars Program" is incorrect, it combines two different programs.

There is a NATIONAL SCIENCE SCHOLARS PROGRAM proposal. It includes a proposal of \$5 million to provide undergraduate scholarships of up to \$10,000 to students demonstrating proficiency in the sciences.

Then there is the EISENHOWER MATH AND SCIENCES EDUCATIONAL PROGRAM. In this, the Administration is requesting \$231 million in FY 91, a 70% increase over the current program, to better prepare teachers and raise student achievement.

WHICH ONE DO WE MEAN?

4. p.4/paragraph 1: Vogt offered a couple of suggestions regarding this graph about trade and Japan. Briefly, he thinks we should highlight the difference between multilateral talks (GATT) and bilateral ones (SII). Also, he'd like to see mention of Super 301 and the fact that Carla Hills has announced that we will be enforcing the semiconductor agreement. The Kaifu stuff will be very important...hope Palm Springs goes well.

5. p. 4/paragraph 4: First of all, I spoke with Lehmann Li of the ECP; he was part of the EPC decision which is the basis of all this and he authored a memo to the President for approval. Unfortunately, the President has not signed off on it yet and is not expected to do so before this speech is given. Lehmann and Vogt had a chance to speak and agreed that this is too big an issue and announcement to do at this time, especially since the President has not yet OK'ed it and Vogt says he other events upcoming which would be good forums.

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But, if you feel strongly, talk to Vogt and see.

Secondly, if it should be decided to mention this joint production issue, there have to be language changes. Here are the nuts and bolts that I got from Commerce and EPC, obviously they need work to be used in a speech:

All firms would have to register an "intent" statement with the Justice Department and the Federal Trade Commission. Then, they would be subject to no more than "single damages" in a private anti-trust suit. (Apparently this is a big change.)

((the problem with the original draft wording was that it sounded like Justice would be administering the judgments...read on...))

There is pending legislation on the Hill on this issue, and they are NOT OUR PROPOSALS, as it says in the draft. We are looking to support whatever the Hill turns out...so, we could say:

"We will seek to support proposals that would assure that the competitive realities of joint production ventures are assessed/judged by the courts, on a case-by-case basis." (Under the Anti-Trust Rule of Reason, which removes the blanket judgement and requires the courts to look at each case alone.)

"This initiative would enhance the competitive strength of American industries by allowing firms to share investment risks and pool their complementary skills in building new production facilities." ((remove the wording about R&D because it is already provided for in existing laws.))

Mark, I'll call the Embassy in Paris tomorrow morning first thing. Don't hesitate to call me anytime for anything. Home phone: [REDACTED] and I'll be on beeper. Hope you're having a good time! Get sun and drinks cocktails with tiny little umbrellas in them!!!

"Hi" to Stephanie & Dave

Talk to you later,

Cawley

P-6,  
(b)(6)

AMERICAN ELECTRONICS ASSOCIATION  
MARCH 7, 1990 11:30 A.M.  
WASHINGTON COURT HOTEL

(BRIEF REMARKS AT LUNCHEON)

Audience: approx. 400 presidents/execs

Contact: John Mancini 682-9110 or 682-4452

The President will be dropping by the AEA luncheon to deliver brief remarks.

*Competitive*  
PURPOSE: to highlight Administration proposals to promote capital formation and high-tech industrial development, including r & e tax credit permanence and a reduction in capital gains.

*511, Cocom*  
BACKGROUND: The AEA is the largest trade association serving the electronics and high-tech industries, representing over 2,900 companies.

AEA has been one of the Administration's core supporters to reduce the capital gains tax rate and is also committed to making the r & e tax credit permanent.

AEA affords a strong grassroots network which was effectively activated during the key capital gains battles on the Hill last year. They have pledged their full support this year as well.

We need to renew commitment to see these policies enacted this year. We could use this opportunity to recognize America's preeminence in the high-tech industry in the global marketplace, address fair trade concerns, highlight our progress in the GATT talks in removing trade barriers and note our progress in the Structural Impediments Initiative (SII) vis-a-vis Japan.

A FEW BASIC FACTS ABOUT THE AEA  
(more complete info will be faxed by them)

The American Electronics Association was formed in 1943 on the West Coast. One of the original founder was Mr. David Packard of Hewlett-Packard.

The AEA was formed under different names but became the AEA in 1978 was active from its very beginning with Rep. Steiger on the original capital gains cut.

The AEA represents 21 chapters nation-wide. These chapters represent over 3500 companies as members.

President Bush has spoken to the group before. Most recently was their meeting in San Diego in 1988.

THE PROGRAM:

Mitchell Kertzman is the AEA Chairman. He will be introducing POTUS.

The program also features a choral group from the Duke Ellington School for Performing Arts. They will be singing the National Anthem and other patriotic songs.

THE WHITE HOUSE  
WASHINGTON

Dept. of Commerce  
Special Asst. to general Counsel  
Alden Abbott 377-3151

(Re: anti-trust reform,  
joint manufacturing)

# ***gist***

A quick reference aid on U.S. foreign relations  
Not a comprehensive policy statement  
Bureau of Public Affairs • Department of State

## **US Exports: Strategic Technology Controls      November 1989**

**Background:** The export of strategically significant technology to Warsaw Pact and certain other countries is controlled in order to deny them access to technology that would increase the effectiveness of their military establishments. Because modern weapons depend on many advanced supporting technologies that have both civilian and military applications ("dual use"), some commercial technology transfers could undermine US national security. Consequently, the Export Administration Act requires the Commerce Department to issue a license before any such dual-use technology or equipment can be exported from the US to a potential adversary. This permits a review of the potential military use of the technology, to ensure that transfers of militarily significant technologies do not occur under the guise of civil projects. The value of more effective strategic export controls is highlighted by conclusive documentation of the USSR's past and continuing reliance on advanced Western technological know-how to modernize its military and strengthen the industrial base that supports Soviet war-making capability.

**COCOM:** The Soviet Union seeks to obtain controlled Western equipment and technology by any means it can, including circumventing export controls. The US, acting alone, cannot prevent such diversions of controlled items, because we are not the sole source of many of these products. The 17-member Coordinating Committee for Multilateral Export Controls (COCOM) is, therefore, of great importance in facilitating multilateral cooperation to control strategic goods and technology. The COCOM countries' determination to maintain and improve the COCOM system has led to the application of additional resources to their efforts.

**Organization:** Established in 1949, COCOM now includes: Australia, Belgium, Canada, Denmark, France, the Federal Republic of Germany, Greece, Italy, Japan, Luxembourg, Netherlands, Norway, Portugal, Spain, Turkey, the UK, and the US. (Spain joined in late 1985 and Australia, in April 1989.) COCOM has no formal relationship to NATO. It is not based on a treaty or executive agreement but operates instead by informal agreement and according to the rule of unanimity.

A permanent COCOM secretariat is located in Paris. All 17 member countries are represented by permanent delegates. These representatives are joined routinely by teams of technical experts and policy-level personnel from their countries during substantive meetings and negotiations on new or revised export controls.

**Major functions of COCOM:** Member countries cooperate in three major areas:

- Publishing the control lists of embargoed equipment and enacting effective export control systems (the lists are grouped into three categories--direct military use, dual use, and atomic energy use);

- Evaluating and clearing potential exports of specific embargoed items from member countries to proscribed countries; and
- Harmonizing national licensing practices for strategic exports and coordinating export control enforcement activities.

Agreements reached in COCOM are implemented similarly by each individual member country.

Improving COCOM's effectiveness: COCOM members face continued efforts by the USSR and other Warsaw Pact countries to obtain militarily sensitive equipment and technologies. Since 1981 a series of high-level COCOM meetings have been held. A January 1988 meeting, held against the backdrop of the Toshiba-Kongsberg diversion of advanced submarine technology to the USSR, led to increased efforts by members to ensure effective enforcement of controls. At an October 1989 high-level meeting, members reaffirmed their collective commitment to COCOM, emphasized their support for "streamlining" of the COCOM control lists, and renewed their commitment to effective enforcement. Working-level consultations are held regularly to work on implementation of directives from the high-level meetings.

Relations with non-COCOM countries: COCOM must protect against the export or reexport of embargoed commodities from non-COCOM countries to the countries of concern. The US deals with this problem in part by requiring licenses for reexport of US-origin embargoed products. COCOM members also maintain dialogues with a growing number of other countries regarding cooperation on export controls and prevention of diversions. Some nonmember countries have adopted COCOM-like export control systems to protect embargoed high-technology products and cooperate in the protection of militarily relevant items.

Munitions controls: Commercial export of arms and other defense articles and services are controlled by the Arms Export Control Act and the International Traffic in Arms Regulations (ITAR). Export licenses must be obtained from the State Department's Office of Munitions Control. The US denies export and reexport authorizations for the USSR, other Warsaw Pact members, and most other communist countries. Licensing decisions for munitions exports to noncommunist countries are based on compliance with the ITAR and US arms control, national security, and foreign policy considerations.

For further information: Also see Department of State GISTs on "US Exports: Foreign Policy Controls" and "US Export Controls and China."

DEPARTMENT OF STATE  
OFFICE OF COCOM AFFAIRS FAX COVER SHEET

U N C L A S S I F I E D

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SPECIAL INSTRUCTIONS/REMARKS:

Public background on cocom,  
as requested.

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U N C L A S S I F I E D

Mark

① COCOM

a. John Glover: things are on hold till the US completes a strategic review; hoped to complete by May ("COCOM Undersec. Mtg. in June & Houston Summit in July")

the problem is that the US wants to differentiate between EE/USSR. The push is to export more to EE, but they are still members of Warsaw, and USSR is still a threat. We'd like them to provide safeguards such as on site inspections, software safeguards, etc.

b. may be good chance to show our sincerity in aiding emerging democracies & economies  
Beef up COCOM #

② p. 3: over \$71 B in R&D

③ expand product liability?

Last fall, this <sup>(VP)</sup> admin will make prod. liab. reform a top competitiveness priority

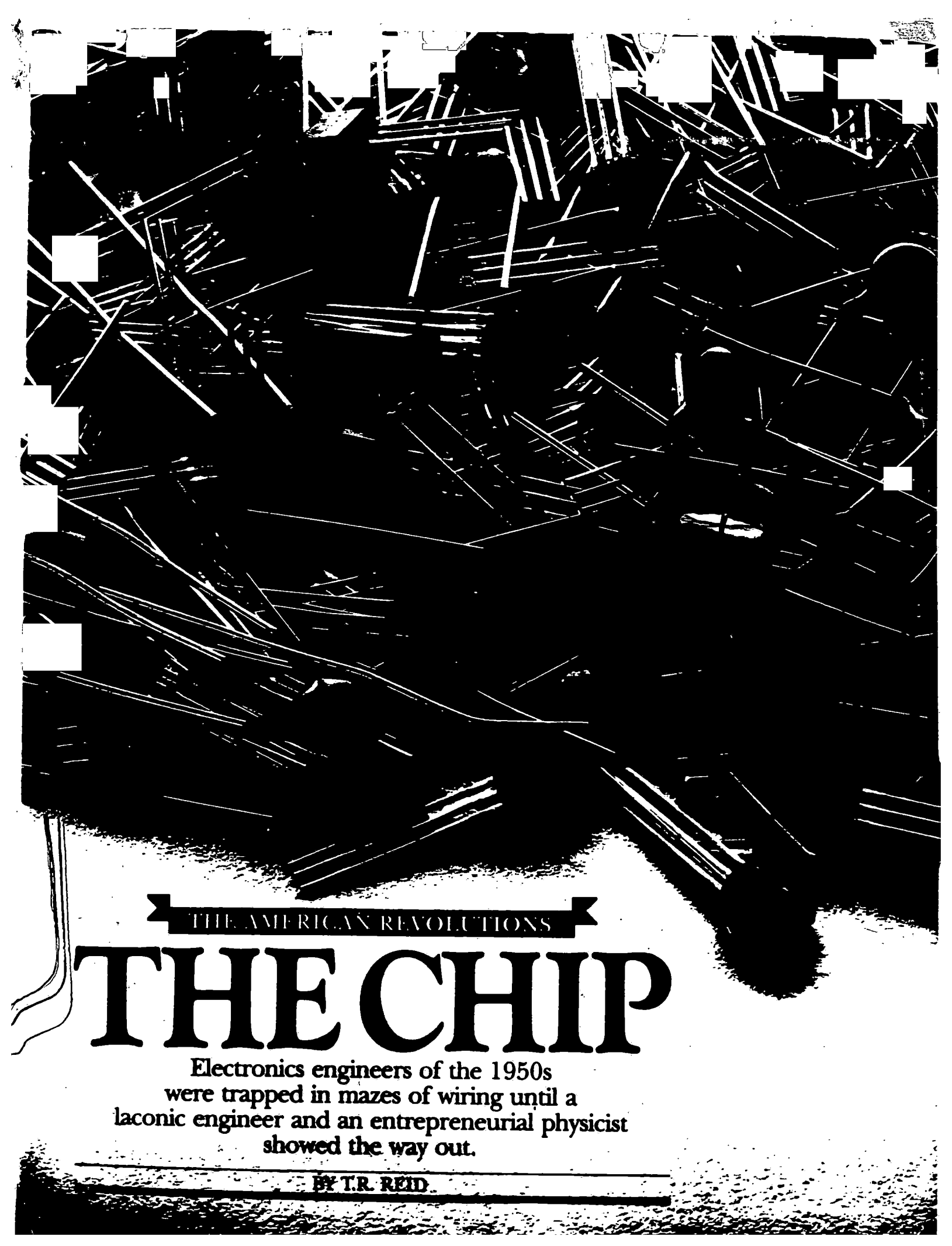
goals: enc. US bus. innovation, improve intl competitiveness,  
continue to ensure safety for consumers

remove self-inflicted burden on U.S. competitiveness & help restore basic principles of fairness

~~p-4~~  
product liability

p-3 # 2

lost p-2 # 3,4,5,6,7

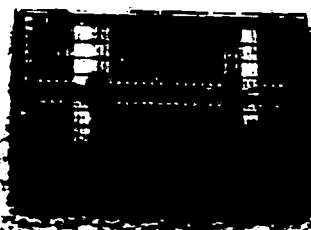


THE AMERICAN REVOLUTIONS

# THE CHIP

Electronics engineers of the 1950s  
were trapped in mazes of wiring until a  
laconic engineer and an entrepreneurial physicist  
showed the way out.

BY T.R. REID



IBM's experimental memory chip packs more than two million microscopic versions of the transistors, capacitors, and resistors piled behind it onto a morsel of silicon  $\frac{1}{8}$  inch by  $\frac{1}{8}$  inch. IBM claims that every one of the chip's 1,048,576 memory cells is functional. That alone is a major accomplishment.

**J**ACK ST. CLAIR KILBY is an imposing figure, not fat but big: six feet six inches tall, wide shoulders, massive hands. Any hint of menace, though, is immediately dispelled by an easy smile that telegraphs a friendly, casual, unruffled personality. He spends a good deal of time alone with his thoughts, working through ideas. In conversation, he is not quick. Ask him a question about semiconductors, politics, the best route to the airport, and he will take a long puff on a Carlton, consider in absolute silence, take another puff, and then answer, softly, slowly, in structured sentences that flow perfectly from beginning to end without digression or detour.

In the semiconductor industry, "tough" and "aggressive" are terms of high praise; Kilby is famous as a nice guy. As he treks through the meandering halls of Texas Instruments' Dallas headquarters—walking with the wary, stooped gait of a man who has bumped his head too often on low ceilings—he greets everybody by name, from top management to messenger boys. Everyone at the company where he has worked on and off for a quarter-century seems to have a story or three about some act of kindness on Kilby's part.

This man, who conceived and built the first integrated circuit, or semiconductor chip—he is recognized, along with the better-known Robert Noyce, as the chip's coinventor—has an old-fashioned streak. He won't wear a digital watch; he has concluded that the older kind better conveys the seamless passage of time. A computer would be useful in his work but he doesn't use one; "I don't really know how," he confesses. Probably the person most responsible for the demise of the slide rule, he still keeps his favorite Keuffel & Esser Log-Log Decitrig handy in the center drawer of his desk, and in some ways he prefers it to the handheld calculators that rendered it obsolete. "It's an elegant tool," he says with affection. His hobby is photography (black-and-white, of course), for which he has contentedly used the same trusty Hassel-

blad for 20 years. His car, an aging white Mercedes two-seater, passed 100,000 miles some time back and will probably go double the distance before Kilby thinks about purchasing anything more up-to-date.

Because of the more or less parallel development of quantum theory and semiconductor technology, Kilby's work has regularly taken him near or right up to the leading edge of physics. But Kilby insists, quite firmly, that he is not a scientist. He is an engineer. "There's a pretty key difference," he says. "A scientist is motivated by knowledge; he basically wants to explain something. An engineer's drive is to solve problems, to make something work. . . . That is basically what I have always wanted to do, to solve technical problems. It is quite satisfying, extremely satisfying, to go through the process and find a solution that works." The essence of engineering, Kilby says, is cost consciousness. "You could design a nuclear-powered baby bottle warmer, and it might work," he says, "but it's not an engineering solution. It won't make sense in terms of cost. The way my dad always liked to put it was that an engineer could find a way to do for one dollar what everybody else could do for two."

As a boy growing up in Kansas, Kilby built a ham radio set, improved it, scavenged some parts, improved it again. By the time he got to Great Bend High School, it was clear that he would make his career in electrical engineering, and he set his sights on the engineer's mecca, the Massachusetts Institute of Technology. He took the entrance exam to qualify for MIT—and flunked. On a June day in 1941 he boarded the *New England States*, the crack train connecting the midwestern plains with the great centers of learning and commerce on the East Coast, and rode to Cambridge to take a course to prepare him for a second shot at the test.

Forty years later, having launched the second Industrial Revolution, received more than 50 patents, and won all of the leading engineering awards, Kilby still feels the sting of flunking that second exam. He can remember his score—497, three points short of passing—and the algebra problems he thinks he got

wrong. Back then, however, he didn't really have time to sit around and brood about his fate. The rejection letter created a practical crisis: Kilby had not bothered to apply to any other college. After some scrambling, he was admitted to his parents' alma mater, the University of Illinois. He had been there less than four months when the Japanese bombed Pearl Harbor. Freshman Kilby became Sergeant Kilby, assigned to a radio repair shop at an Army outpost on a tea plantation in northeastern India.

After the war, Kilby went back to Illinois, eager to learn about radar and other wartime advances in electronics. On the whole, he was disappointed. The one thing he can recall now about his electronics classes was that none of the experiments turned out the way the instructors said they would. There were courses at Illinois on quantum physics and semiconductor phenomena, but they were restricted to science majors. "They weren't going to expose that funny stuff to simpleminded engineers," Kilby says. He graduated in 1947 with a traditional engineering education and decent, but not outstanding, grades. He went to work in Milwaukee at Centralab, for the excellent reason that it was the only firm that offered him a job.

One night at Marquette University he heard physicist John Bardeen describe a new invention that worked like a vacuum tube but was made out of solid semiconducting materials. Kilby read everything he could find about this solid-state device. After Bell Labs announced in 1951 that it would issue licenses for production of its newly patented transistor, Centralab put up the \$25,000 license fee and dispatched Kilby to Bell's five-day crash course in the new technology. There he got a detailed look at the fantastic new world that would be possible without the limitations imposed by vacuum tubes. He came back to Milwaukee full of ideas. Gradually, however, he came to realize that the new electronic world had a limit of its own.

Working in a relatively small firm, where the circuit designers in the engineering lab had regular contact with the plant managers, Kilby learned, probably sooner than many other people in the

Excerpted from *The Chip: The Microelectronics Revolution and the Men Who Made It* by T.R. Reid. Copyright 1983 by T.R. Reid. Reprinted with permission of Simon and Schuster.

**Jack St. Clair Kilby:**  
He saw in silicon  
the answer  
to the Tyranny of  
Numbers.

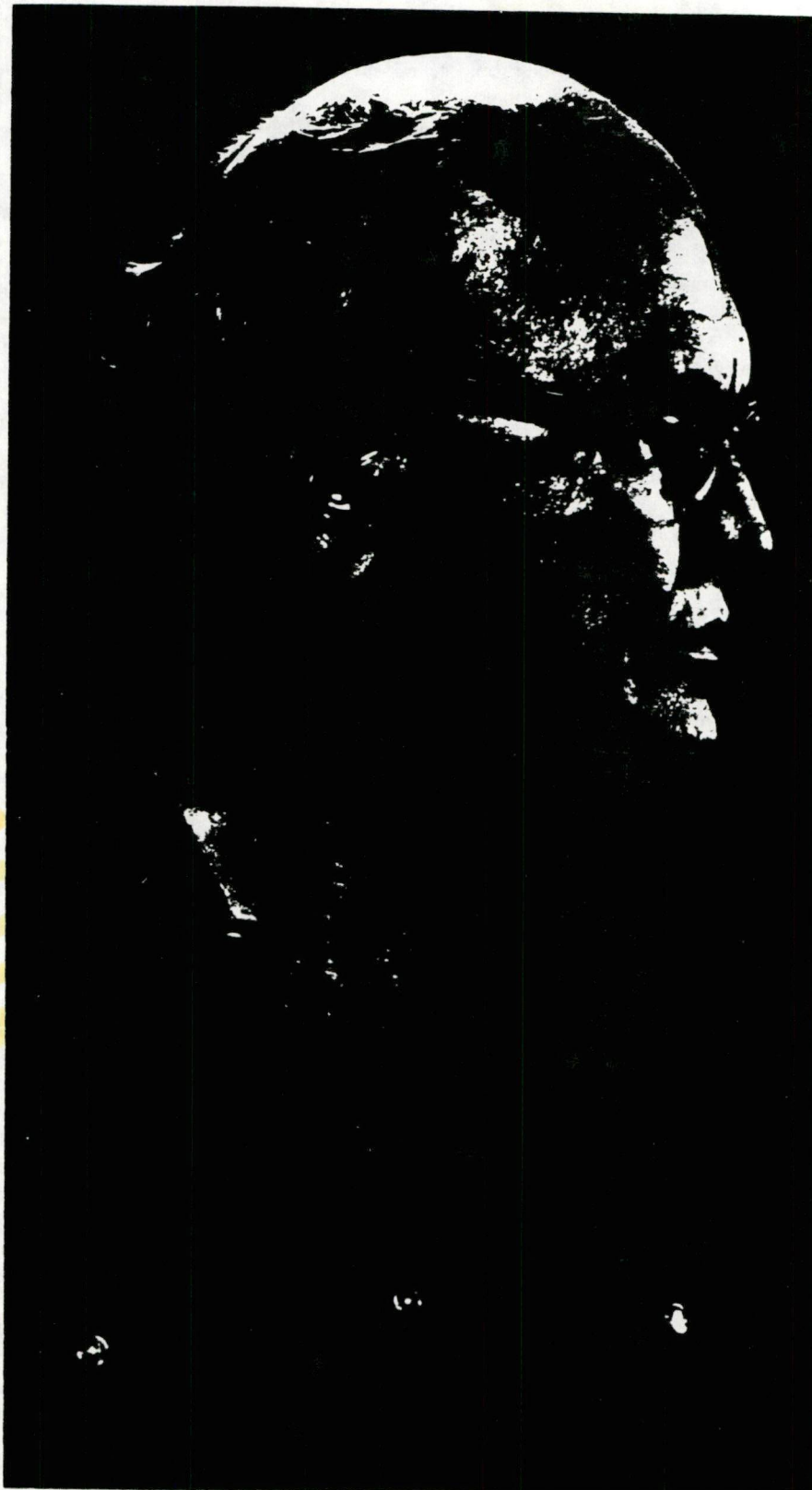
business, exactly how the realities of the manufacturing process restricted the complexity of transistorized circuitry. Kilby and his colleagues upstairs in the lab could design a hearing aid or a radio amplifier that squeezed unheard-of numbers of components into minute spaces. But down on the factory floor, those circuits could not be built. There were just too many interconnections too close together for the human hand to make them.

"For some time now," wrote J.A. Morton, a vice president of Bell Labs, in a 1958 article celebrating the 10th anniversary of the transistor, "... electronic man has known how *in principle* to extend greatly his visual, tactile, and mental abilities through the digital transmission and processing of all kinds of information. However, all these functions suffer from what has been called 'the tyranny of numbers.' Such systems, because of their complex digital nature, require hundreds, thousands, and sometimes tens of thousands of electron devices." And each of these devices, Morton noted in a later article, "must be made, tested, packed, shipped, unpacked, retested, and interconnected one-at-a-time to produce a whole system. Each element and its connections must operate reliably if the system is to function as a whole." The consequence? "The tyranny of large systems," he said, "sets up a *numbers barrier* to future advances if we must rely on individual discrete components for producing larger systems."

"'Tyranny of numbers' ... was a perfect term for it," says Kilby, recalling Morton's articles. "The simple fact was that you could not do everything that an engineer would want to do."

For Kilby, the recognition of this major new problem was electrifying. Just as he was coming into his own as an engineer, a problem solver, the world of electronics was up against a baffling problem of premier importance. The transistor offered enormous, world-shaking possibilities—but they would never be realized unless somebody found a way around the problem of numbers.

Building a circuit is like building a sentence. There are certain standard components—nouns, verbs, adjectives,



## *From Sailing ships to silicon chips...*

and adverbs in a sentence; resistors, capacitors, diodes, and transistors in a circuit—each with its own function. By joining the components in different ways, one can get circuits, or sentences, that perform different functions.

Writers of sentences are taught to keep their designs short and simple. This rule does not apply in electronics. Some of the most useful circuits are big and complicated, with hundreds or thousands of components wired together. In the era of vacuum tubes, the designers' implicit awareness of power, heat, and size restraints limited the scope of any circuit design; there was just no point in designing a machine that would melt as soon as it was turned on. With the transistor, those fundamental design limitations disappeared. Now the designers could draw up plans for exotic communications and computer circuits using 50,000 or 500,000 transistors and similar numbers of diodes, resistors, and capacitors. On paper, these supercircuits could outperform anything that had been designed before. All you had to do was wire them together and... but that was the problem. That was where the numbers barrier came in.

An electric circuit has to be a complete, unbroken path along which current can flow. That means that all the components of the circuit must be connected in a continuous loop: resistors wired to diodes, diodes to transistors, transistors to other resistors, and so on. Each component can have two, 10, even 20 interconnections with other parts of the circuit. Making the connections—wiring the parts together—was almost entirely hand labor. It was expensive, time-consuming, and inherently unreliable. A circuit with 100,000 components could easily require 1,000,000 different soldered connections linking the components.

Even if somebody could pay for that much hand labor, there was no way humans could put together a million of anything without turning out a few that were faulty. By the late 1950s the electronics industry had come head-to-head with this implacable limit. The Navy's newest destroyers had 350,000 electronic components, requiring millions of

hand-soldered connections; the cost of labor for wiring and testing each connection was greater than the total cost of the components themselves. Production of the first of the completely transistorized, or "second generation," computers—the Control Data CD 1604, containing 25,000 transistors, 100,000 diodes, and hundreds of thousands of resistors and capacitors—gave engineers nightmares because of the sheer difficulty of connecting the parts. By the end of the decade, people were already planning the computers that would someday guide a rocket to a landing on the moon. But those plans called for circuits with 10 million components. Who could produce a circuit like that? How could it fit into a rocket?

In essence, the small community of engineers exploring the frontiers of elec-

Writers of sentences  
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*or in Washington*

tronics in the 1950s faced the same abject frustration that had confronted the small community of seamen exploring the frontiers of navigation in the 1590s. At the far western extremity of the Atlantic, hard against the shores of Central America, the explorers could look westward from the masthead and see, "with a wild surmise," a vast new ocean, a whole new world, beckoning across the isthmus. But there was no way—no way short of the impossibly expensive, time-consuming, and unreliable voyage around the tip of South America—to get to that wonderfully promising new stretch of sea. Just so for Jack Kilby and his colleagues. A vast new electronic world was right there on the blueprints but impossible to achieve. And so physicists and electronics engineers embarked on a great voyage of discovery, searching

for a route across the numbers barrier. Like everyone else in the industry, Jack Kilby plunged into the search for a solution.

It was evident, though, that solving the tyranny of numbers, if indeed a solution could be found, was a task that would require resources considerably larger than a firm the size of Centralab could muster. "I felt," he wrote later, "... that it would not be possible for very small groups with limited funding to be competitive." Early in 1958 he sent out his résumé to a number of larger firms. Among the engineers he wrote to was Willis Adcock of Texas Instruments.

In 1958 Texas Instruments was just beginning to make a mark in the electronics business. An audacious gambit by the firm's postwar president, Patrick Haggerty, started TI on its road to dominance. In 1952, when transistors were still exotic, unreliable devices costing \$15 or more each, Haggerty gave engineer Mark Shepherd, Jr., an assignment: Develop a reliable mass-production transistor that would sell for \$2.50. Shepherd did it. In 1954, Haggerty launched his most famous initiative: He put his cheap, reliable transistors into a consumer product—the pocket radio. The idea was a smash hit in the marketplace. More important, it made the transistor a common household item, and Texas Instruments became a common name in electronics.

The first pocket radios, like all transistorized equipment of the day, used transistors made of germanium, a semiconductor material easy to work with but unsatisfactory for many uses because it could not operate at high temperatures. Another semiconductor, silicon, could withstand heat but was brittle and considered too difficult to purify for transistor manufacturing. Convinced of the superiority of silicon, Haggerty hired Gordon Teal, a physicist who had worked extensively with the material at Bell Labs. Then Teal and Willis Adcock, a physical chemist, set about to devise a silicon transistor. The project was pursued under security arrangements that any spy agency would admire. At a professional conference in May 1954, Teal listened to speaker after speaker bemoan the insu-

A simple combination of three electronic components—a transistor and two resistors, about twice their normal size, top illustration—could be duplicated on a pinhead-sized chip as shown at bottom in the three-dimensional cutaway. (Such a simple chip would not, of course, be cost-effective to produce, but it illus-

trates the basic architecture of any chip.) Impurities are added to specific areas of a tiny bar of pure silicon—a process called *doping*—to create successive layers of semiconductor material that will conduct electricity. On the chip shown, resistor 1 is the region at the top left, resistor 2 is at bottom right, and the

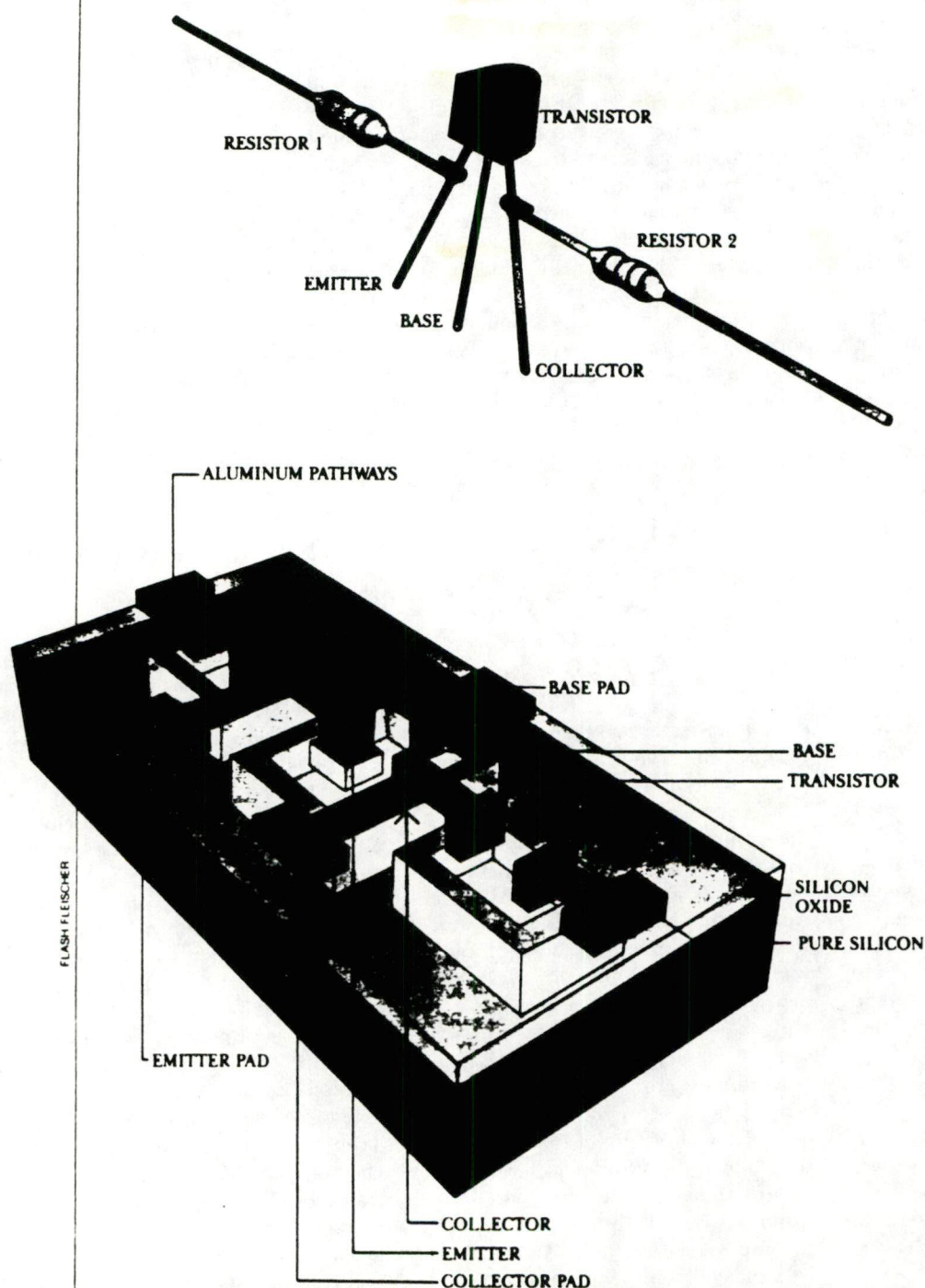
transistor is between them. The three are electrically connected through aluminum paths, topmost dark areas. The aluminum is deposited atop a layer of silicon oxide, an electrical nonconductor that confines the metal to its designated pathways. External connections to the chip would be made to the pads on its outside edge.

perable problems posed by silicon. Then Teal rose. "Our company," he noted calmly, "now has two types of silicon transistor in production. . . . I just happen to have some here in my coat pocket." An assistant appeared, carrying a record player that employed a germanium transistor in its circuits. As a record played, Teal dunked the transistor into a vat of hot oil; the sound stopped. Next Teal wired in one of the silicon transistors and lowered it into the hot oil. The band played on. The meeting ended in pandemonium; Texas Instruments was on its way.

The tyranny of numbers revealed itself soon enough, and Adcock was placed in charge of a major research effort to defeat it, organized around the broad concept of microminiaturization. When Kilby arrived at Adcock's lab in May of 1958, one of many ideas being pursued was the Micro-Module. Because of its record in getting silicon to behave, TI had landed a small research contract from RCA, which had come up with the inspiration for the Micro-Module. The theory was that all the components of a circuit could be made in one uniform size and shape, with wiring built right in. These identical modules could then be snapped together, like a child's Lego blocks, to make instant circuits. The concept was important to the U.S. Army. Each of the military services was pursuing its own solution to the interconnection problem, and the Army keenly desired that its proposal should prevail.

Kilby disliked the Micro-Module from the start. This feeling was partly an engineer's intuition; the Micro-Module bore some resemblance to an idea that had flopped at Centralab. The real flaw, though, was more basic. The real problem posed by the tyranny of numbers was numbers, and the Micro-Module did nothing to reduce the huge quantities of individual components in sophisticated circuits. No engineer could work with much enthusiasm on a solution to the wrong problem; Kilby's heart sank at the thought that he had left a good job and moved his family across the country only to work on a project that was fundamentally off target.

At that time, everybody at Texas In-



struments took their vacation the same few weeks in July. Kilby hadn't been around long enough to earn vacation time and was left alone in the semiconductor lab. He was "discouraged," he wrote later; "I felt it likely that I would be put to work on a proposal for the Micro-Module program when vacation was over unless I came up with a good idea very quickly."

He plunged in, soaking up every fact he could about the problem at hand and the ways Texas Instruments might solve it. Among much else, he took a close, analytical look at his new firm and its operations. The obvious fact that emerged was the company's heavy commitment to silicon. To capitalize on its victory in the race to develop silicon transistors, TI had invested millions of dollars in equipment and techniques to purify silicon and manufacture transistors with it. "If Texas Instruments was going to do something," Kilby explained later, "it probably had to involve silicon."

This conclusion gave Kilby the focus he needed. He began to think hard about silicon. What could you do with silicon?

Kilby's answer to that question has come to be known as the Monolithic Idea. The idea has so changed the world that it is just about impossible today to reconstruct what things were like before he thought of it—and thus almost impossible to appreciate how ingenious, and how daring, the answer was. The Monolithic Idea has become an elementary part of modern science, as fundamental, and as obvious, as J.J. Thomson's daring suggestion that there were tiny charged particles swirling around inside the atom. In July of 1958, though, Kilby's answer was hardly elementary.

What could you do with silicon? It was already known in 1958 that the standard semiconductor devices, diodes and transistors, could be made of silicon, if it was "doped" with the proper impurities to make it conduct electric charges. Now, this doped silicon is a far-from-perfect conductor; it tends to impede the flow of current. That is the very function of an ordinary resistor. Kilby thought about that: a silicon resistor. Why not? A strip of properly doped silicon could act as a

resistor. It wouldn't be as good as a standard carbon resistor, but it would work. For that matter, by taking advantage of the peculiarities of the junction between differently doped regions of a piece of silicon, you could make a capacitor. Not much of one—its performance wouldn't equal that of a standard metal-and-ceramic capacitor—but it would work. Come to think of it—and *this* was the idea that would revolutionize electronics—if you could make any component from one material, you could put the components of an entire circuit in a monolithic block of that material.

The more Kilby thought, the more appealing this notion became. If all the parts were integrated on a single slice of silicon, you wouldn't have to wire anything together. Connections could be laid down internally within the semiconductor chip; no matter how complex

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Kilby nervously  
fiddled with  
the dials. He checked  
the connections.  
He took a deep breath.  
He pushed the switch.

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the circuit was, nobody would have to solder anything together. The numbers barrier would disappear. And without wiring or connections, an awful lot of components could be squeezed into a pretty small chip. On July 24, 1958, Kilby opened his lab notebook and wrote down the Monolithic Idea: "The following circuit elements could be made on a single slice: resistors, capacitor, distributed capacitor, transistor." He made rough sketches of how each of the components could be realized by proper arrangements of semiconductor material.

This suggestion was, to use one of Kilby's favorite words, *nonobvious*. "Nobody would have made these components out of semiconductor material then," he has explained. "It didn't make very good resistors or capacitors, and semiconductor materials were consid-

ered incredibly expensive. To make a one-cent carbon resistor from good-quality semiconductor seemed foolish." Building a resistor out of silicon seemed about as sensible as building a boxcar out of gold; you could probably do it, but why bother? Even Kilby was a little skeptical at first: "You couldn't be sure that there weren't some real flaws in the scheme somewhere." The only way to find out was to build a model of this integrated circuit and give it a test. To do that, Kilby would need the boss's okay.

When everybody came back from vacation, eager to get back to cutting circuitry down to size, Kilby showed his notebook sketches to Willis Adcock. "Willis was not as high on it as I was," Kilby recalled later. Adcock was intrigued with the idea but had doubts about its practicality; "it was pretty damn cumbersome," he said later. To build Kilby's model, Adcock would have to divert people to the previously untried task of building a complete circuit out of semiconductors. Kilby and Adcock made a deal: If Kilby could make a resistor and a capacitor out of separate pieces of silicon, Adcock would authorize the far costlier effort to construct an integrated circuit on a single semiconductor chip. Kilby painstakingly carved a resistor out of a strip of silicon. Then he made a capacitor from another strip of silicon. He wired these strange devices into a test circuit, and they worked. Adcock then okayed the attempt to construct a complete circuit on a single chip.

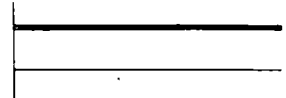
The design that Kilby chose was a phase-shift oscillator, a classic for testing purposes because it incorporates resistors, capacitors, and transistors—the three most important circuit elements. An oscillator turns a steady flow of direct current into alternating current, electricity that constantly changes direction, surging back and forth. (The power available at a wall outlet is an everyday example. It goes through 120 changes of direction, or 60 complete cycles, every second.) The transformation from DC to AC shows up nicely on an oscilloscope, a piece of test equipment with a screen much like a small TV set. If you connect a source of direct current—for example, a battery—to the oscilloscope, the steady

Although Jack Kilby had the semiconductor material silicon in mind for future chips, he used germanium for the first crude integrated circuit, top. The germanium on which the circuit is built is the thin rectangle at center. No bigger than a piece of toothpick, the wafer is glued to a larger rectangle of glass, which is glued to yet another piece of glass. The circuit, a *phase-shift oscillator*, has five electri-

cal components: A transistor is at the center of the germanium; a capacitor is at the left side; and the germanium bar provides the functional equivalent of three resistors. Kilby made some of the connections on the chip with tiny gold wires rather than depositing metallic circuit paths, prompting some engineers to refer derisively to the "flying wire" chip. Its inelegant design contrasts sharply with the

internal workings of a modern chip, below. Made by Motorola, it is a microprocessor—the heart of a computer—with 200,000 transistors on one piece of silicon. The photomicrograph conveys a sense of the chip's functional areas. The dark sections at the top and upper left, for example, are memory areas; the vital control section is just above the middle of the chip.

current will trace a straight line across the screen, like this:

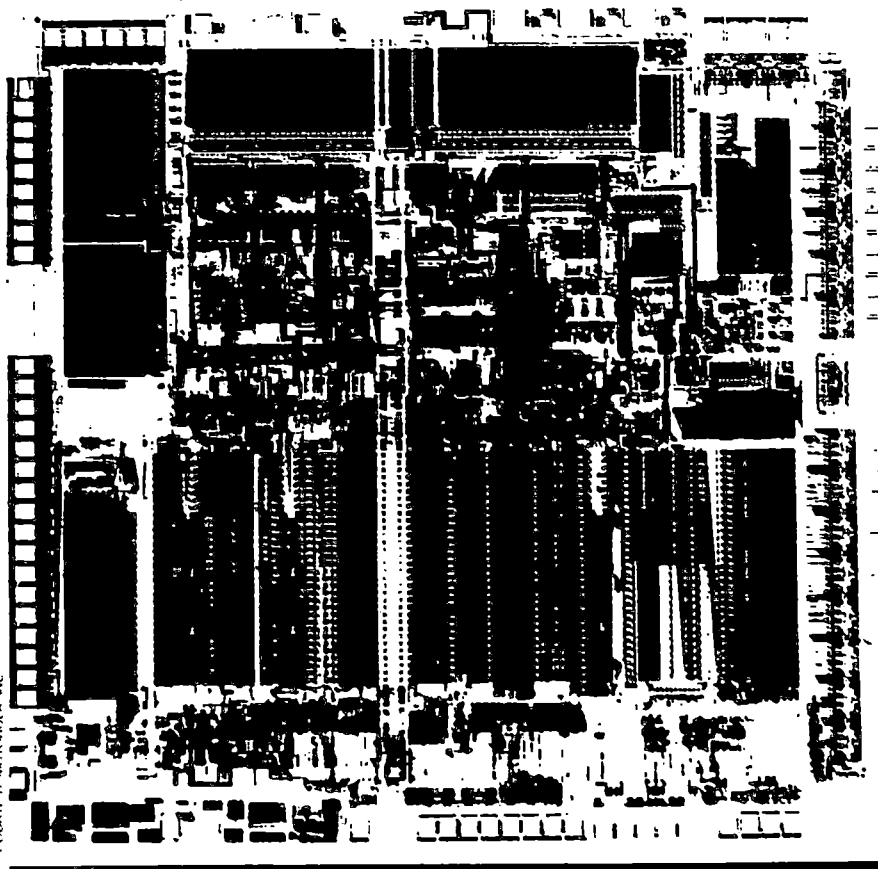
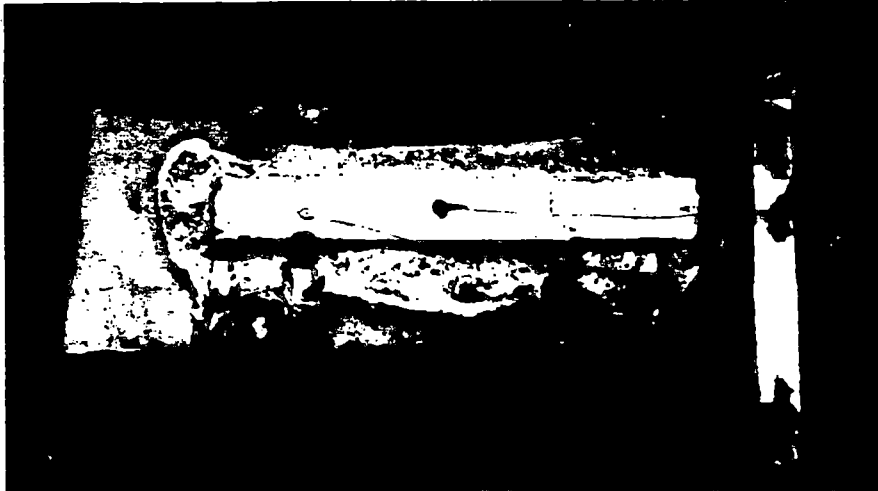


But if you put a phase-shift oscillator between the battery and the oscilloscope, a gracefully curving line—a sine wave—will undulate across the screen:



On September 12, 1958, Jack Kilby's oscillator-on-a-chip, less than half an inch long and narrower than a toothpick, was finally ready for viewing. A group of Texas Instruments executives gathered in Kilby's area in the lab to see if this tiny and wholly new species of circuit would really work. Kilby knew it should; as any engineer would have done, he had tested it a day or two before. But would it behave now, in the presence of the TI brass? Kilby was nervous as he hooked up the wires from the battery to his small monolithic circuit and from the circuit to the oscilloscope. He fiddled with the dials on the oscilloscope. He checked the connections. He looked up at Adcock, who gave a here-goes-nothin' shrug. He checked the connections again. He took a deep breath. He pushed the switch. Immediately a bright green thread of light snaked across the screen in a perfect, unending sine wave. The integrated circuit, the answer to the tyranny of numbers, had worked. The men in the room looked at the sine wave, looked at Kilby, looked at the chip, looked at the sine wave again. Then everybody broke into broad smiles. A new era in electronics had been born.

A terrifying rumor raced through the semiconductor labs at Texas Instruments the morning of January 28, 1959: Somebody at RCA had invented an integrated circuit. Like many false alarms, it had the salutary effect of scaring people into action. More than four months had passed since Jack Kilby had successfully demonstrated his prototype integrated circuit, but development of the concept had produced no further results. Kilby's superiors hoped to announce their great new



COURTESY OF TEXAS INSTRUMENTS INCORPORATED

COURTESY OF MOTOROLA INC.

**Robert Noyce:**  
**He saw**  
**the way to connect**  
**microscopic components**  
**without wires.**

product in March, but at the end of January the only integrated circuits in existence were the crude models Kilby had built by hand for his demonstration; nobody had figured out yet how to turn out a production version.

The rumor that reached Dallas did, in fact, contain a germ of truth, though no one at TI knew that. Five days earlier Robert Noyce, in his office at Fairchild Semiconductor in the tiny California town of Mountain View, had scratched his first sketchy concept of the Monolithic Idea in his notebook.

Unlike Kilby, who had been rushed by TI's lawyers into filing for a patent before he had worked out the problem of interconnections within the chip, Noyce's formulation of the idea covered both integration and interconnection. The two inventors had arrived at the integrated circuit by different routes. Kilby had first hit upon the concept of integration—of building all the parts of a circuit in a monolithic chip of silicon—and had moved from there to consideration of interconnections. Noyce, in contrast, had first recognized the possibility of printing connecting strips of metal on a chip, and interconnection had led him to integration.

The Monolithic Idea occurred to Robert Noyce in the depth of what passes for winter in the valley south of San Francisco Bay that is known today, because of that idea, as Silicon Valley. Unlike Kilby, Bob Noyce did not have to check with the boss when he got an idea; at 31, Noyce was the boss.

It was January of 1959. The valley was still largely an agricultural domain, with only a handful of electronics firms intruding on the peach and prune orchards. Fairchild Semiconductor, one of those pioneering firms, had been started late in 1957 by a group of physicists and engineers who guessed, correctly, that they could become fantastically rich by producing improved versions of transistors and other microelectronic devices. The group was long on technical talent and short on managerial skills. But one of the founders turned out to have both: Robert Noyce. Slender and square-jawed, exuding the easy self-assurance of a jet pilot, Noyce has an unbounded



curiosity that has led him to take up hobbies ranging from singing madrigals to flying seaplanes. His doctorate was in physics, and his specialty was the physics of electronic devices; at Fairchild, though, he became fascinated with management, and gravitated to the position of director of research and development. There Noyce spent much of his time looking for profitable solutions to the electronics industry's nagging problems. In the winter of 1958-59, one of the things he thought about was the tyranny of numbers.

Unlike Kilby, who does his best work alone, Noyce is loquacious and impulsive; he needs somebody to listen to his ideas and point out the ones that couldn't possibly work. That winter Noyce's sounding board was his friend Gordon Moore, a physical chemist and another co-founder of Fairchild Semiconductor. "I spent a lot of time explaining to Gordon on the blackboard how you might do some of these things," Noyce recalled later.

Gradually, in the first weeks of 1959, he worked out the idea; on January 23, he remembers, "all the bits and pieces came together." He grabbed his lab notebook and wrote down the Monolithic Idea, in words quite similar to those Jack Kilby had entered in his notebook six months before: "... it would be desirable to make multiple devices on a single piece of silicon, in order to be able to make interconnections between devices as part of the manufacturing process, and thus reduce size, weight, etc. as well as cost per active element."

Like Kilby, Noyce felt fairly sure right away that he was onto something important. "There was a tremendous motivation then to do something about the numbers barrier," he recalled later. "... this looked like a way to deal with that ... I can remember telling Gordon one day that we might have here a solution to a real big problem."

Like their counterparts at Texas Instruments, the people at Fairchild Semiconductor took their time about developing the Monolithic Idea into a practical integrated circuit. It was nearly two months after Bob Noyce had set down the basic concept in his notebook

before Fairchild started working on the idea; four more months passed before Noyce got around to filing for a patent.

The reason, Noyce explained later, was that Fairchild at the start of 1959 was just beginning to sell its first important product, a new kind of transistor. "We were still a brand-new company," Noyce recalled. "We were worried about basic survival. That meant getting transistors out the door. The integrated circuit seemed interesting, it was something that might make you some money somewhere down the road, but that was not a period when you had a lot of time for it."

Fairchild, like Texas Instruments, was prodded into action by a rumor—but in this case it was true. In late February or early March, word arrived in Silicon Valley that Texas Instruments was about to do away with discrete electronic compo-

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Unlike Kilby, Noyce  
did not have to  
check with the boss  
when he got an idea.  
For at 31, Noyce  
was the boss.

---

nents by integrating all the parts of a circuit into a single silicon chip. For any company that made its money selling individual components—like Fairchild's transistors—this was disconcerting news. Somebody at Fairchild called a meeting. At this session Noyce formally laid out, for the first time, his basic concept of an integrated circuit. By the spring of 1959, Fairchild was hard at work on chips.

The integrated circuit emerged as the most important new product in the history of electronics. The market grew explosively and economies of production drove costs down to the point that many common chips can be purchased at a local Radio Shack for under a dollar. And the scientific community agreed that Kilby and Noyce deserved joint credit for the Monolithic Idea. Both men were awarded the National Medal of Science for overcoming the tyranny of num-

bers. Today, Kilby is generous in describing Noyce's work on the invention, and Noyce is equally generous about Kilby. In the textbooks, Kilby gets credit for the idea of integrating components on a chip, and Noyce for working out a practical way to connect those components. Among their fellow engineers, Kilby and Noyce are referred to as coinventors of the chip, a term that both men find satisfactory. And after years of legal wrangling over the patent, TI and Fairchild conceded that each company had some right to the invention. At a summit meeting in 1966 attended by more than a dozen semiconductor makers, the two companies agreed to grant licenses to each other to make integrated circuits, and any other firm wanting to enter the market would have to arrange separate licenses with both firms.

Professional and technical awards have become so common that for the most part neither Noyce nor Kilby pays much attention these days when word of a new one comes in the mail. But one day in 1982 Jack Kilby received an honor that really mattered to him, because it was proof he had succeeded at his chosen trade. He was inducted into the National Inventors Hall of Fame, an august group of five dozen people—Edison, Bell, Ford, Shockley, the Wright Brothers. Noyce was inducted the following year.

On a sunny winter Sunday, a group of people gathered in the lobby of the Patent Office, just across the Potomac from the Washington Monument, for the hall of fame ceremony. Five inventors were honored that year, only two still alive—Kilby and Max Tishler, who synthesized Vitamin B<sub>2</sub> in 1941. When Kilby's turn came, he stood up for the briefest moment, looked around shyly at the audience, and quietly said, "Thank you." That was all.

"He really didn't say a word during the whole thing," recalled Fred Zeisenheim, the hall of fame's president. "He just sat there like he was thinking about something. It looked like ... no kidding, I sort of thought he was sitting there working out his next invention."

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*T.R. Reid is Rocky Mountain bureau chief for the Washington Post.*

ACT -  
 - what? Gov. Industry Reg. 7 (2017)  
 - Bureau ruled against to govt  
 Vts of the Act of 1980  
 Fed? Why?  
 - In England @ ACT (House  
 of Commons, Fred of Salmons)  
 682-9110

Good mix  
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 for a int'l.

S.I.I.

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11:30 3/7

Washington Comm - 11:30

THE WHITE HOUSE  
WASHINGTON

Jeff - how  
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XX

SCHEDULE PROPOSAL

FEBRUARY 1, 1990

TO: JOSEPH HAGIN, DEPUTY ASSISTANT TO THE PRESIDENT  
FOR APPOINTMENTS AND SCHEDULING

THROUGH: DAVID DEMAREST, ASSISTANT TO THE PRESIDENT FOR  
COMMUNICATIONS

FROM: BOBBIE KILBERG, DEPUTY ASSISTANT TO THE PRESIDENT  
FOR PUBLIC LIAISON  
JEFF VOGT, ASSISTANT DIRECTOR, PUBLIC LIAISON

REQUEST: To address the American Electronics  
Association's 1990 Capital Caucus dinner.

PURPOSE: To highlight Administration proposals to promote  
capital formation and high-tech industrial  
development, including r & e tax credit permanence  
and a reduction in the capital gains tax rate.

BACKGROUND: The American Electronics Association (AEA)  
is the largest trade association serving the  
electronics and high-tech industries, representing  
over 2,900 companies. AEA has been one of the  
Administration's core supporters to reduce the  
capital gains tax rate and is also committed to  
making the r & e tax credit permanent.

AEA affords a strong grassroots network which was  
effectively activated during the key capital gains  
battles on the Hill last year. They have pledged  
their full support this year as well. An  
appearance by the President would help to  
demonstrate the Administration's renewed  
commitment to see these policies enacted this  
year. Moreover, the President could recognize  
America's preeminence in the high-tech industry in  
the global marketplace, address fair trade  
concerns, highlight our progress in the GATT talks  
in removing trade barriers and note our progress  
in the structural impediments initiative (SII)  
vis-a-vis Japan.

PREVIOUS  
PARTICIPATION: None.

DATE AND TIME: March 6, 1990, between 7-9 p.m.

LOCATION: Westin Hotel, Washington, D.C.

PARTICIPANTS: 400 senior high-tech executives from around the  
country.

OUTLINE OF

EVENT: The President arrives Westin Hotel  
The President participates in brief photo-op  
The President makes remarks  
The President departs

REMARKS

REQUIRED: Speech.

 *Brief Remarks*

MEDIA

COVERAGE: Open press.

**American Electronics Association****AEA**

5201 Great America Parkway, Santa Clara, California 95054. Telephone: (408) 987-4200  
1225 Eye Street, N.W., Suite 950, Washington, D.C. 20005. Telephone: (202) 682-9110

February 5, 1990

Governor John H. Sununu  
Chief of Staff to the President  
The White House  
1600 Pennsylvania Avenue, NW  
Washington, DC 20500

Dear Governor Sununu:

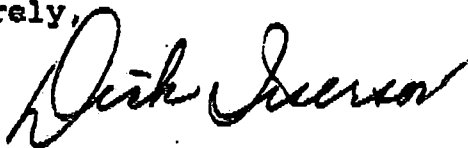
John Moriarity, Mitchell Kertzman, and I want to thank you for the time you gave us in Boston on February 2. I believe we now have a better understanding of the Administration's appreciation of the electronics industry.

You agreed to consider our request that the President speak at the annual Capital Caucus of the American Electronics Association on March 6, 1990. Per your request, we are enclosing our suggested topics, most of which I think you will agree with. Their pronouncement by the President would do much to reduce the tension that the industry feels with the Administration.

Since our meeting on Friday, I have received a letter from Mr. Joseph W. Hagin II advising that the President will be unable to speak at our meeting. I hope in light of the concern that we expressed in our discussions with you that you can ask the President to reconsider.

Thanks again for the time that you were able to spend with us. I think it was useful to everyone.

Sincerely,



J. Richard Iverson  
President and CEO

JRI:efs

Enclosures

\$1/47 - \$1/67

\$9950  
\$7500 on where -  
2 w jobs

Talking Points  
American Electronics Association  
Speech by President George Bush  
Tuesday evening, March 6, 1990

- o I want to thank the American Electronics Association for the support it gave me nation wide during my run for the Presidency. I especially remember the meetings at Applied Materials and Ford Aerospace.
- o The last time that I spoke before your group was at your Board meeting in San Diego at the kick-off of Air/Space America. I remember that as a very special evening.
- o 45 years ago, the U.S. set out to create a multipolar, democratic world. We have succeeded.
- o In the post Cold War world we now face, there will be two primary determinants of world power...technological leadership and market share in major commercial markets. As the industry at the intersection of these two forces at work in the world, you are key to America's future world leadership.
- o My Administration recognizes the importance of the electronics industry to the future of the United States. Not only are you the largest manufacturing segment, but you provide the fuel for modernization of all of our industries, and you are a major exporting segment.
- o We recognize that while you have been growing over the last several years the industry has lost market share in many important areas. I am here tonight to tell you that this Administration -- and the Republican Party -- is committed to working with you to insure that America regains its lead in high technology.
- o I do not pretend to have all of the answers as we struggle with this fundamental problem. I will tell you that this Administration stands committed to working with you to forge solutions. Government and industry -- as partners -- must work to reclaim U.S. leadership in advanced technology.
- o I would like to spend some time tonight talking about the efforts this Administration has already initiated. I emphasize that this is just the beginning; the beginning of a long-term effort.
- o This Administration is dedicated to increasing saving, investment and productivity. Items to mention: permanent R&D credit, permanent capital gains differential, deficit reduction, savings incentives, joint manufacturing relief. (Note: AEA was one of the original advocates for the 1978 capital gains reduction)

- o We are also committed to enhancing research and development. Investment in research and development is a top priority for an Administration that believes in investing in the future. Items to mention: Continued doubling of NSF budget, increases in science and engineering education, intellectual property protection in Uruguay Round, R&D tax credit, encouraging R&D by transnational companies, and increased support for robotics, x-ray lithography, space exploration, and developing a national high-speed information structure. (Note: AEA was one of the originators of the R&D credit.)
- o We should always remember that without a world class workforce, we will not be a world class economic power. Investing in human capital is a long-time personal concern, and one that is of vital importance to your industry. Issues to mention: math and science education initiative, education summit, head start increases, industry partnerships. (Note: For over a decade, AEA has been an industry leader in the education area.)
- o Few things are of greater importance to me than protecting the environment. Your industry has been in the forefront of innovative efforts to protect the environment. In particular, I salute your commitment to eliminating CFC emissions on a schedule that goes well beyond the Montreal Protocols. Issues to mention: need for continued international action on CFCs and for Clean Air Act permitting provisions especially tailored to environmental protection.
- o And finally, the Bush Administration pledges to preserve our national security and be an active advocate for America's interests abroad. Issues to mention: Commitment to US interests (eg., FSX improvements), use of U.S. market leverage to open foreign markets, export control reform through a strong and unified multilateral commitment to COCOM, orderly reductions in defense spending that preserve our basic industrial base, savings through Defense Management Review implementation, SEMATECH and DARPA funding, NIST Advanced Technology Program.
- o In closing, let me note that I have always believed, and continue to believe, that the fundamental responsibility for competitiveness rests with thousands of individual companies. We believe that the industry has an obligation to improve its own performance. We would encourage all of your companies to try to win the Baldrige Award.
- o I do not believe we are at the beginning of an era of decline. I believe we are poised on the threshold of a century of greatness. All we need to do is make the commitment -- in government and in companies -- to leadership.

Summary: Ret. specific industries in their membership.  
Super 301

(Lange/Cawley)  
February 27, 1989  
5:30 P.M.  
[AEA.DOC]

BRIEF

PRESIDENTIAL REMARKS:

AMERICAN ELECTRONICS ASSOCIATION  
WASHINGTON COURT HOTEL  
WEDNESDAY, MARCH 7, 1990  
11:30 A.M.

(( Thank you, Mitchell [Kertzman]. Dick Iverson, David Packard, Bob Noyce... it's good to see so many familiar faces. Many of you came a long way to be here, so I won't compel you to sit through a long speech. The punishment should fit the crime.

Which reminds me of a story. An orchestra was having a bad season. The critics were howling. Then one day the first violinist was murdered. Turns out the conductor did it.

He was tried, and convicted, and on the morning he was going to the electric chair they asked him if he had any last requests. He said, "I would like a banana."

So they let him eat a banana. Then they turned on the voltage. No effect. So they doubled it. Still no effect. He just sat there grinning. They asked him, "How is this possible? Was it the banana?" And he said, "No, I guess I'm just a bad conductor." \\ ) )

It's an honor and a pleasure to have you here today. You have the people -- and the products -- that keep this country competitive.

For almost 50 years now, you've been at the center of a

remarkable revolution: in the way work is done, the way ideas are managed -- even the way time and the vast reaches of space are understood.

And along the way, you've also become the nation's largest manufacturing industry -- creating jobs for over two and a half million Americans. Modernizing services and industries of every kind. <sup>Assuring our national security.</sup> And providing a vital export market.

As technologies, economies, and geopolitics change almost weekly, your industries stand at a threshold of tremendous opportunity.

So we intend to work with you -- closely, constantly, and consistently -- to see that American electronics and technologies regain and retain a preeminent position in world markets.

We're committed to a program of <sup>both</sup> immediate and long-term competitive strategies for the future. And while we're only at the start of a process that shows great promise, today I want to outline briefly what we're already doing. [could lay out as a 5 pt. plan]

Our first priority is to encourage productivity gains, savings, and long-term investment in high-tech industries, by lowering the cost of capital. / Encouraging capital formation.

We believe that one of the most crucial Federal priorities is to encourage planning for the long term -- because for too long, where investment is concerned, the Federal government has been more of a hindrance than a help.

So we're fighting hard -- with your support -- for a business-building, job-creating, revenue-enhancing cut in the capital gains differential.

Earlier this month we sent to Congress our Savings and Economic Growth Act, to stimulate domestic savings. We're proposing new incentives for IRAs. And we've proposed a budget that will bring the deficit **down** \\ below the Gramm-Rudman-Hollings targets \\ **without** raising taxes.

Along with encouraging investment, we're committed to **unprecedented support for research and development efforts**. We believe that the R & E tax credit should be made permanent. And our budget includes a record-breaking \$70 billion in Federal direct investment for research and development.

*Our budget*  
~~It~~ **devotes unprecedented resources to space. Education. The National Science Foundation. Drug abuse control. Environmental initiatives. And other crucial investments in America's future.**

But we understand, as you do, that **no investment is more important than our human resources**. So together with the nation's governors, we've set ambitious goals for America's students. As an incentive to the nation's students, we've created a new National Math and Science Scholars program.

We're committed: By the year 2000, our kids **can** be first in the world in science and math achievement -- and **with enough involvement and leadership from groups like this one, they will be.**

Your industries face some unique challenges. The marketplace is tough enough without undue constraints and unfair restrictions.

So we've pledged to make sure that trade is free, and fair. BF

*Just year's  
super 301  
- vigorous  
enforcement*

We're making progress through the GATT to remove barriers to trade. And we're moving forward with Japan, through the Structural Impediments Initiative. Just last weekend I met with Prime Minister Kaifu, who agreed \_\_\_\_\_.

I've made the **relaxing of export controls** a personal priority -- especially with an eye toward Eastern Europe. This week at COCOM in Paris, we have a team negotiating an interim policy.

Given the pace of political change, new developments in technology, and the competitive position of American industry, I'm confident that we'll be able to revise and modernize our export controls **without** compromising national security.

*SUBJECT  
TO  
REVISION*

To provide further competitive benefits for American firms, we're also working on legislation to allow them to join forces in **joint production ventures**. On a case-by-case basis, the Justice Department will consider relaxing anti-trust limits for firms interested in making use of complementary skills and facilities, shared R & D, and shared investment risks.

One risk you all face, of course -- to a great and unfortunate degree -- is product liability. And the Council on Competitiveness, chaired by Vice President Quayle, is already working for significant reform of our cumbersome and expensive product liability system.

Today I'm going to offer that council another challenge: to form a working group, to find ways that **American industry can**

**better translate new ideas and technologies into marketable products.**

So many of the world's most advanced technologies, from robotics to the VCR, were first developed here. And so many of those concepts were ultimately brought to the marketplace by our competitors. **We can do better. And we will do better.**

Today I've outlined some of what we're doing to level the field. But it will be leaders like you that have to take the ball and run with it.

You represent the vital core of America's competitive potential, with over 3500 of the most dynamic, technologically advanced, forward-thinking companies in the country.

Your ideas are important to us. And your success is crucial to America's future. So let me encourage you to work together, and with us, on a long-term program to meet the competitive challenge of a new century.

Thank you. And God bless you.

# # #

Carolyn

THE WHITE HOUSE  
WASHINGTON

MEMORANDUM

TO: David Demarest  
FROM: JOSEPH W. HAGIN  
SUBJECT: APPROVED PRESIDENTIAL ACTIVITY

EVENT: Address the American Electronics Association Luncheon

DATE: March 7, 1990 ---- Wednesday

TIME: 11:30 p.m.

DURATION: 20 minutes

LOCATION: Westin Hotel

ATTIRE: Business suit

REMARKS REQUIRED: Brief Remarks

MEDIA COVERAGE: Open Press

FIRST LADY PARTICIPATION: No

ADDITIONAL INFORMATION:

CONTACT: \_\_\_\_\_

TELEPHONE: OFFICE \_\_\_\_\_ HOME \_\_\_\_\_

NOTE: PROJECT OFFICER, SEE ATTACHED CHECKLIST

Ed Rogers  
James Cicconi  
Fred McClure  
Susan Porter Rose  
Patty Presock  
Chriss Winston  
Laurie Firestone  
William Kristol  
Jackie Kennedy

Marlin Fitzwater  
David Demarest  
Jean Lamb  
Sig Rogich  
John Keller  
Tim McBride  
J. Bonnie Newman  
Paul Bateman

David Bates  
David Valdez  
USSS - PPD  
Gary Walters  
WHCA Audio/Visual  
WHCA Operations  
C. Boyden Gray  
John Herrick

90 FEB 21  
ALL: 30

see R&B / high tech. seminar in North Carolina

I had slots  
Cap. Davis  
Survival Econ Growth  
Educ. Goals - Pres. & world  
Product Reliability

under Computer Council: Biotechnology  
today setting up / semi-conductors  
similar technology projects  
Bill Kristol?

Star - Larry's plan  
making progress on R&B  
I believe to be conducting  
technology to multiple places?  
(at V&A)

Steve Troschke, Courance

EPC Joint manuf. concept

COCOM/EXPORT CONTROLS:

State Department: East-West Trade Office  
Contact: George Gowen 647-2870

COCOM: Coordinating Committee for Multi-lateral Export Controls

We are working with the 16 COCOM member-countries to revise and expand the multi-lateral export control system.

COCOM is broken down into three priority areas:

1. Telecommunications
2. Machine Tools
3. Computers

((The 3rd priority is especially important for the AEA because of their business in superconductors and computers.))

National Security Council: Technology Transfer Affairs  
Contact: Rich Barth X 3550

The President can say:

The issue of relaxing export controls has become a particularly important for this Administration and it has become a personal priority. ((POTUS chaired an NSC working group meeting on this, but we don't need to tell them that.))

He has ordered our negotiators to work with their partners to delve into the issue with a keen eye toward the changes in Eastern Europe.

He has ordered a detailed analysis of the changing national security threat with respect to Eastern Europe. Therefore we are optimistic that we can revise and modernize export controls in light of Eastern Europe/ changes in technology/ and the competitiveness of American business.

This is a "Here and Now" issue therefore part of his mandate is to develop an interim policy for changes in, for example, computers. The US will be negotiating in Paris next week (the week of the speech) and part of their package is calling for significant control reductions.

Cocoon: (33) 1 42 96 1202 → 2829

**American Electronics Association**

5201 Great America Parkway, Santa Clara, California 95054. Telephone: (408) 987-4200  
1225 Eye Street, N.W., Suite 950, Washington, D.C. 20005. Telephone: (202) 682-9110

To: Caroline Cawley

From: Mancini

P1065

-----  
As we discussed, additional material from John Moriarty.

From a political perspective, in thinking about the ~~the~~ major points that the Administration might want the attendees to remember, I'd consider these...

1. The Administration acknowledges the importance of electronics to our long-term national security and standard of living.
2. Point out the many fundamental strengths of the U.S. in the global battle for technology: an entrepreneurial culture, the world's finest basic research capability, the world's largest market, and a heterogeneous population.
3. The Administration acknowledges that despite growing faster than any other segment of the economy, U.S. leadership in electronics has eroded over the last decade relative to the rest of the world. This is a matter of concern, and a condition that cannot be allowed to continue.
4. Indicate the leadership of the Administration in dealing with the macroeconomic factors that are hurting high-tech (all of the good things we've previously discussed).
5. Acknowledge the need for companies to cooperate with each other and the legitimate role of government in creating an infrastructure to allow this to happen.
6. Acknowledge that the current mix of federal R&D funding (70% defense) needs to be changed to foster cooperation among companies in early stage-precompetitive GENERIC technologies. Indicate that this is really the fundamental point within the emotional debates about what is industrial policy and what is not. Indicate the answers are not yet clear about what should be done -- either within industry or government -- but commit to working together with industry to develop solutions.

FEB 28 '90

11:28

AMERICAN ELECTRONICS ASSOCIATION

P. 2/ 5  
DEPT. (TX): 0005

# **LAPSTOP**

PORTABLE COMPUTER & FAX RENTALS

456 -  
6-18

February 26, 1990

The Honorable John Sununu  
Chief of Staff  
Executive Office of the President  
The White House  
Washington, D.C. 20500

Dear Governor Sununu:

As a member of the American Electronics Association and on behalf of the entire organization I want to thank you for your efforts in arranging for President Bush to speak to our organization on March 7th.

As a follow-up to our earlier correspondence and a subsequent conversation I had with Jackie, I am including with this letter some suggested speaking points that the White House staff might find helpful in preparing the President's remarks to AEA. In addition, I am also transmitting another copy of the speaking points list Dick Iverson previously submitted to you.

In my speaking points I have tried to capture the spirit of the comments you made to us when we met in Boston on February 2nd. I have also offered some suggestions on a "packaging" approach which might help convey all that is being done by the Administration in a simple and concise way. I hope you find these suggestions helpful.

In any event, I look forward to seeing you next week. Thanks again, for all you help in broadening the channels of communication between the Administration and the electronics industry.

Best regards,

John W. Moriarty

JWM/loc

Attachment

**SUGGESTED TALKING POINTS FOR PRESIDENT BUSH'S ADDRESS TO THE  
AMERICAN ELECTRONICS ASSOCIATION MARCH 7, 1990**

**JOHN. W. MORIARTY**  
**(508) 744-6673**

**I. BACKGROUND ON AEA CAPITAL CAUCUS**

**A. Forum**

American Electronics Association Capital Caucus 300-350 CEO-level industry executives in Washington for two days to lobby for AEA's policy agenda.

**B. Key Policy Positions**

**1. Tax Policy:**

- Permanent R&D and Basic Research Tax Credit
- Regulatory Change in 861-8 (IRS)
- Eliminate Double Taxation of Dividends
- Capital Gains Differential

**2. Capital Rebalance:**

- Reduce Deficit
- Increase Domestic Savings
- Reduce Interest Rates
- Anti-Trust Amendments to Permit Joint Production Ventures

**3. Education and Science Policy:**

- Increased Funding for NSF
- Student Incentives for Teaching Math & Science
- Support for NIST's "Advanced Technology Program"
- Support for NSF's Basic Science & Research Programs
- Support for DARPA's Initiative for High Def. R&D

**4. Market Access:**

- Support for Super 301
- Support for the Structural Impediments Initiative

**5. Export Controls:**

- Support for License-free Zone in COCOM
- Support for Amending Supercomputer Definition
- Commerce Dept. Control Over Dual-Use Control List

In addition to these fundamental policy concerns, AEA members are increasingly interested in exploring additional ways to encourage "patient capital" -- longer-term capital investment in the U.S. manufacturing sector. Chief among the issues being explored are:

- Semiannual or Annual Financial Reporting
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For the most part, the AEA agenda mirrors that of the Administration. But there are growing divisions within the industry and there is growing support for direct government intervention in the form of controlled trade, more government-industry collaborations, and direct applied research subsidies. While these proposals are not universally embraced, the frustration level throughout the industry is high.

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President Bush has a high technology policy. He is well ahead of the Congress on almost every policy position of AEA. He should take credit for that.

The President might best do so by enunciating his policy as a comprehensive 5 point program:

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3. Research & Development
4. Market Access
5. Export Controls

These are the basic pillars of a "pre-competitive" infrastructure that is seriously in disrepair. They favor no particular industry, but by focusing on them collectively, the Administration recognizes the strategic importance of a vibrant high technology sector.

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The electronics industry is generally in harmony with the Administration but its members are worried about the future and they need to hear that their concerns are shared and being intelligently and comprehensively addressed.

I hope that this information is helpful. Please call if I can be further assistance.

Am. 4pm - 7pm

2pm West Basement

10am - 5pm

# **American Electronics Association**

## **Washington, DC Office**

Telephone: 202-682-9110  
FAX: 202-682-9111  
Address: 1225 Eye Street, NW #950  
Washington, DC 20005

Fax From: John Mancini

### **FAX To:**

Person: Caroline Cawley

Company: \_\_\_\_\_

FAX Number: 456-6218

Page 1 of 9

Caroline...Please call me if you have any questions.

Mancini

One thing very specific that occurred to me...The Administration is on the verge (I think) of endorsing antitrust reform to encourage joint manufacturing...This could be good place to announce this.

JM



- Kristol  
- USTR women

Possible Talking Points  
American Electronics Association  
Speech by President George Bush  
Wednesday morning, 11:30, March 7, 1990

- o Previous appearances before AEA...
  - o May, 1988 -- San Diego
  - o First quarter, 1985 -- Santa Clara
- o Will be introduced by Mitchell Kertzman, President of Computer Solutions, Inc. of Burlington, Massachusetts and 1990 Chairman of AEA. Acknowledge Dick Iverson, President of AEA.
- o Major players in AEA's history...
  - o David Packard, one of AEA's founders
  - o Bob Noyce, currently head of SEMATECH
  - o Some major past chairmen...Former Congressman Ed Zschau, Hewlett-Packard's Dean Morton and Bill Hewlett
- o Background on AEA (see attachment)...
  - o Approaching 50th anniversary
  - o Founded in 1943 by 25 electronics companies from Northern and Southern California to help secure a more equitable share of the nation's government contracts.
  - o Originally called West Coast Electronics Manufacturing Association, later renamed the Western Electronics Manufacturing Association.
  - o Became American Electronics Association in 1978 to mirror the growth of the industry, the geographic expansion of the industry, and expanding scope of activities.
- o A lot has happened in the nearly half a century since AEA's formation...Some things to think about..Just one example of the massive changes that have occurred...
  - o The fundamental building block of any electronic device is a simple on-off switch.
  - o When AEA was founded, could hold only one of these basic switches at a time. The country was just on the edge of the era of electronics, but with roots back in a mechanical era.
  - o Since then, the technology of this basic switch has moved to semiconductors. News reports this week noted that both IBM and Texas Instruments announced prototypes of a new chip that holds 16 million of these switches on a sliver of silicon the size of the end of a finger.
- o A revolution has occurred over the past 50 years, and AEA has been squarely in the middle of this revolution. During the time that AEA has grown from those first 25 members to

nearly 3,500 members, electronics has become the largest manufacturing industry in the nation, providing jobs to over 2.5 million US citizens.

- K
- o In the post Cold War world we now face, there will be two primary determinants of world power...technological leadership and market share in major commercial markets. As the industry at the intersection of these two forces at work in the world, you are key to America's future world leadership.
  - o Administration recognizes the importance of the electronics industry to the future of the United States. Not only are you the largest manufacturing segment, but you provide the fuel for modernization of all of our industries, and you are a major exporting segment.
- 
- o We recognize that while you have been growing over the last several years the industry has lost market share in many important areas. This Administration -- and the Republican Party -- is committed to working with you to insure that America regains its lead in high technology.
  - o I do not pretend to have all of the answers as we struggle with this fundamental problem. I will tell you that this Administration stands committed to working with you to forge solutions. Government and industry -- as partners -- must work to reclaim U.S. leadership in advanced technology.
  - o I would like to spend some time this morning talking about the efforts this Administration has already initiated. I emphasize that this is just the beginning; the beginning of a long-term effort.
  - o This Administration is dedicated to increasing saving, investment and productivity. Items to mention: permanent R&D credit, permanent capital gains differential, deficit reduction, savings incentives, joint manufacturing relief. (Notes: a) AEA was one of the original advocates for the 1978 capital gains reduction b) The Administration has not yet formally announced support for joint manufacturing reform; this might be good time to do so)
  - o We are also committed to enhancing research and development. Investment in research and development is a top priority for an Administration that believes in investing in the future. Items to mention: Continued doubling of NSF budget, increases in science and engineering education, intellectual property protection in Uruguay Round, R&D tax credit, encouraging R&D by transnational companies, and increased support for robotics, space exploration, and developing a national high-speed information structure. (Note: AEA was one of the originators of the R&D credit.)
- Lower the cost of capital
- 3
- DD's  
Gordon S. R. Lee & Jan

- o We should always remember that without a world class workforce, we will not be a world class economic power. Investing in human capital is a long-time personal concern, and one that is of vital importance to your industry. Issues to mention: math and science education initiative, education summit, head start increases, industry partnerships. (Note: For over a decade, AEA has been an industry leader in the education area.)
- o Few things are of greater importance to me than protecting the environment. Your industry has been in the forefront of innovative efforts to protect the environment. In particular, I salute your commitment to eliminating CFC emissions on a schedule that goes well beyond the Montreal Protocols. Issues to mention: need for continued international action on CFCs and for Clean Air Act permitting provisions especially tailored to environmental protection.
- o And finally, the Bush Administration pledges to preserve our national security and be an active advocate for America's interests abroad. Issues to mention: Use of U.S. market leverage to open foreign markets, export control reform through a strong and unified multilateral commitment to COCOM, orderly reductions in defense spending that preserve our basic industrial base, savings through Defense Management Review implementation, SEMATECH and DARPA funding, NIST Advanced Technology Program.
- o In closing, let me note that I have always believed, and continue to believe, that the fundamental responsibility for competitiveness rests with thousands of individual companies.
- o As an entrepreneur, I have a great affinity for small companies, and new companies and fierce individualism have been a major part of the miracle of the electronics industry. However, we must also realize that cooperation among companies is also needed to be an effective participant in the new global economy.
- o We believe that the industry has an obligation to improve its own performance. We salute Motorola, one of last year's winners of the Baldrige Award, and one of this year's winners, Xerox, both long-time members of AEA. (Gary Toker, President of Motorola, will be at the head table.) I encourage all of the companies in this room to make the commitment to world-class quality embodied in the Baldrige Award.
- o I do not believe we are at the beginning of an era of decline. I believe we are poised on the threshold of a century of greatness. All we need to do is make the commitment -- in government and in companies -- to leadership.

# American Electronics Association

**AEA**

5201 Great America Parkway, Santa Clara, California 95054. Telephone: (408) 987-4200  
1225 Eye Street, N.W., Suite 950, Washington, D.C. 20005. Telephone: (202) 682-9110

## QUESTIONS AND ANSWERS ON THE AMERICAN ELECTRONICS ASSOCIATION

### What is the American Electronics Association (AEA)?

AEA is a national trade association representing U.S. electronics and information technology companies with common interests and goals. AEA's fundamental purpose is to foster a healthy business environment for the electronics industry and to engage in activities that strengthen its competitive position in marketplaces throughout the world. Most AEA members are electronics manufacturers. An "Associate Member" category is open to professional organizations that provide service to electronics companies. U.S. universities and colleges offering engineering and technical education also are eligible for associate membership.

### How many members does AEA have?

In 1988, AEA has more than 3,500 member companies located throughout the United States.

### When and why was the association started?

In 1943, 25 electronics firms from Northern and Southern California joined together to help secure a more equitable share of the nation's government contracts. Originally called the West Coast Electronics Manufacturing Association (WCEMA), it later was renamed the Western Electronics Manufacturing Association, and then WEMA. In 1978, the association's name was changed to the American Electronics Association to reflect its growing national membership and the scope of its activities.

### What types of companies does AEA represent?

AEA member companies come from such high technology fields as electronic data processing, including all types of computers, hardware and software; semiconductors; telecommunications equipment; medical instrumentation; and defense electronics. Although AEA members include the giants of the industry, over 65 percent are small firms with less than 250 employees.

(more)

2-2-2

How does AEA define the industry it represents?

AEA defines the electronics industry as all firms that manufacture electronic components, or products or systems that require electronic components to perform their intended function.

Included are software firms and companies that provide electronics research and development or engineering services. Distributors and retailers of electronics products and services and companies that market telecommunications or data processing services are not included.

What does AEA do?

Through a public affairs staff headquartered in Washington, D.C., AEA maintains a strong and flexible legislative advocacy program for national, international and state issues that impact the electronics industry. This group tracks legislation and represents the industry and its members on such issues as taxation, international trade, science and technology policy, engineering education, government procurement, and the federal budget, to name but a few.

AEA provides its members with a strong link to the academic community via its Electronics Education Foundation and other programs. In addition to its series of public company and emerging growth financial conferences, a spectrum of management education programs are presented annually. AEA is active with both national and regional environmental and occupational health programs, offers quality and productivity seminars and provides a breadth of cost-saving programs designed primarily for small firms.

In the councils, the association provides a unique networking capability through regular dinner and other meetings. These permit both representatives of both small and large companies to communicate on a one-to-one basis in their own geographic region and to be able to formulate policy questions and concerns that can be raised to the national level for resolution.

How is AEA organized?

Policy decisions are made by a 55-member Board of Directors comprised of industry executives from various size companies throughout the electronics product range and the United States. Currently, AEA has 21 councils in high technology concentrations

(more)

3-3-3

throughout the country. They are located in New England, Connecticut, New York, New Jersey, the Potomac area (the District of Columbia, Virginia, and Maryland), Florida, the Southeast, the Midwest, Minnesota, Texas, the Mountain States, Arizona, Washington, Oregon, and both Northern and Southern California. Policy recommendations and implementation are made by national AEA steering committees, operating committees and task forces.

How large is AEA and how many offices does it have?

AEA employs 130 people in its 12 offices. National headquarters are located in Santa Clara, California, and Washington, D.C. Other facilities are located in New England, metropolitan New York, Minnesota, Texas, Oregon, Washington state, Florida, Orange County (California), and San Diego. Also, the association has a representative office in Tokyo and a recently established industry presence in Beijing.

What are AEA's major missions?

- 1/ To achieve vigorous and fair competition within the electronics and information technology global marketplace.
- 2/ To actively promote and help insure the availability of, and access to, capital, including risk capital.
- 3/ To foster a business climate that encourages innovation and provides commensurate return for risk-taking entrepreneurs.
- 4/ To insure the availability of a qualified technical workforce.
- 5/ To provide the necessary opportunities for management education at all levels and in all fields of endeavor.
- 6/ To encourage a synergism between industry and the academic community.
- 7/ To encourage the maintenance of a safe and healthful workplace for employees and the active participation of electronics companies in community affairs.
- 8/ To work for a positive and active relationship between the electronics community and all elements of federal, state and local government.

05/07/88

#####

# 1990 Capital Caucus

## Executive Summary: Capital Costs and Job Creation

---

### The challenge for advanced technology

- U.S. capital costs are among the highest in the industrialized world.
- The economic growth of any society -- capitalist or socialist -- depends directly on the cost and availability of capital.
- As the global volume of trade and investment accelerates, companies based in countries with persistently higher capital costs are a significant disadvantage.
- High capital costs threaten the long-term standard of living in the United States.

### Developing solutions

There are both short-term and long-term dimensions to this problem.

In the long-term, the key factor driving up real interest rates in the U.S. is the complicated interplay between restrictive monetary policy by the Federal Reserve, the massive federal deficit, and a low U.S. savings rate.

- We do not have solutions to this fundamental problem at this time. AEA member companies will begin to address some long-term solutions at an upcoming industry summit (April 27-29) on the cost of capital.

In the short-term, there are things that Congress can do to help address this fundamental problem (see reverse side for details).

#### Leverage existing capital -- including human capital --through:

1. a permanent R&D credit
2. a permanent solution to the Section 861 allocation rules related to R&D
3. Section 127 educational assistance

#### Increase the pool of long-term capital through:

1. a permanent capital gains differential
2. national incentives for savings

#### Encourage cooperation through:

1. elimination of uncertainty surrounding joint manufacturing
2. basic research credit for consortia

1990 Capital Caucus  
*America's Future  
at Stake*



## **Summary of Short-Term Actions Needed to Address High Capital Costs...**

### **Leveraging Existing Capital**

**Permanent R&D tax credit:** AEA supports S. 570 (Danforth/Baucus) and H.R. 1418 (Frenzel/Pickle/Jenkins). AEA is working to ensure that the interests of start-ups and small to mid-size high tech companies are represented in the coalition.

**Regulation 1.861-8:** In addition to a permanent R&D credit, AEA is working for a permanent moratorium on Treasury regulations (Regulation 1.861-8 Rules) requiring U.S. R&D to be treated as if it were partly foreign R&D on the basis of a sales or income formula.

**Section 127 educational assistance:** AEA supports making Section 127 of the tax code permanent. This provision acts as an incentive for corporate continuing education activities by excluding employer-provided educational assistance benefits from the gross income of employees.

### **Increasing the Pool of Long-Term Capital**

**Permanent capital gains differential:** A number of bills have been introduced in the 101st Congress related to this issue. AEA does not support a specific bill at this time, but is working closely with the Administration and a bipartisan coalition in Congress to pass a permanent capital gains differential. AEA's goals for capital gains legislation include permanence, a significant rate differential, and preferential treatment for assets held for longer periods of time.

**National savings incentives:** While AEA has not yet endorsed any particular proposal, AEA believes that some national incentive for savings is needed and will be reviewing this issue over next few months.

### **Encouraging Cooperation**

**Joint manufacturing ventures:** A number of bills have been introduced in the 101st Congress related to this issue. AEA supports an approach consistent with the National Cooperative Research Act of 1984, or NCRA (notification, rather than certification).

**Basic research credit for consortia:** There is some uncertainty whether the university basic research credit as currently structured also applies to participation in R&D consortia. AEA believes that the credit should encourage this type of innovative cooperation to help spread risk more effectively among companies.

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FROM - LOCATION:

1. CAROLYN CAWLEY - WHITE HOUSE SPEECHWRITING

TO - LOCATION - TIME OF RECEIPT:

1. MARK LANGE - SPEECHWRITER TO THE

2. PRESIDENT

3. (213) 277-4061 LA STAFF OFC.

4. (415) 399-1979 SF. STAFF OFC. #107

5. \_\_\_\_\_

6. \_\_\_\_\_

7. \_\_\_\_\_

INFORMATION ADDRESSES - LOCATION - TIME OF RECEIPT:

1. \_\_\_\_\_

2. \_\_\_\_\_

SPECIAL INSTRUCTIONS - REMARKS:

LANGE: HERE ARE THE AEA LETTER,  
THE DRAFT, & A MEMO TO YOU.

CALL ME. —CZ

UNCLASSIFIED

CLASSIFICATION

# American Electronics Association

AEA

5201 Great America Parkway, Santa Clara, California 95054. Telephone: (408) 987-4200  
1225 Eye Street, N.W., Suite 950, Washington, D.C. 20005. Telephone: (202) 682-9110

To: Caroline Cawley

From: Mancini

P1065

-----  
As we discussed, additional material from John Moriarty.

From a political perspective, in thinking about the ~~the~~ major points that the Administration might want the attendees to remember, I'd consider these...

1. The Administration acknowledges the importance of electronics to our long-term national security and standard of living.
2. Point out the many fundamental strengths of the U.S. in the global battle for technology: an entrepreneurial culture, the world's finest basic research capability, the world's largest market, and a heterogeneous population.
3. The Administration acknowledges that despite growing faster than any other segment of the economy, U.S. leadership in electronics has eroded over the last decade relative to the rest of the world. This is a matter of concern, and a condition that cannot be allowed to continue.
4. Indicate the leadership of the Administration in dealing with the macroeconomic factors that are hurting high-tech (all of the good things we've previously discussed).
5. Acknowledge the need for companies to cooperate with each other and the legitimate role of government in creating an infrastructure to allow this to happen.
6. Acknowledge that the current mix of federal R&D funding (70% defense) needs to be changed to foster cooperation among companies in early stage-precompetitive GENERIC technologies. Indicate that this is really the fundamental point within the emotional debates about what is industrial policy and what is not. Indicate the answers are not yet clear about what should be done -- either within industry or government -- but commit to working together with industry to develop solutions.

I.E. AN  
INDUSTRIAL  
POLICY

# LAPSTOP

PORTABLE COMPUTER & FAX RENTALS

456  
6-12

February 26, 1990

The Honorable John Sununu  
Chief of Staff  
Executive Office of the President  
The White House  
Washington, D.C. 20500

Dear Governor Sununu:

As a member of the American Electronics Association and on behalf of the entire organization I want to thank you for your efforts in arranging for President Bush to speak to our organization on March 7th.

As a follow-up to our earlier correspondence and a subsequent conversation I had with Jackie, I am including with this letter some suggested speaking points that the White House staff might find helpful in preparing the President's remarks to AEA. In addition, I am also transmitting another copy of the speaking points list Dick Iverson previously submitted to you.

In my speaking points I have tried to capture the spirit of the comments you made to us when we met in Boston on February 2nd. I have also offered some suggestions on a "packaging" approach which might help convey all that is being done by the Administration in a simple and concise way. I hope you find these suggestions helpful.

In any event, I look forward to seeing you next week. Thanks again, for all you help in broadening the channels of communication between the Administration and the electronics industry.

Best regards,

John W. Moriarty

JWM/lcc

Attachment

**SUGGESTED TALKING POINTS FOR PRESIDENT BUSH'S ADDRESS TO THE  
AMERICAN ELECTRONICS ASSOCIATION MARCH 7, 1990**

**JOHN. W. MORIARTY**  
(508) 744-6673

**I. BACKGROUND ON AEA CAPITAL CAUCUS**

**A. FORUM**

American Electronics Association Capital Caucus 300-350 CEO-level industry executives in Washington for two days to lobby for AEA's policy agenda.

**B. Key Policy Positions**

**1. Tax Policy:**

- Permanent R&D and Basic Research Tax Credit ✓
- Regulatory Change in 861-S (IRS)
- Eliminate Double Taxation of Dividends ✓ *Cap Gains*
- Capital Gains Differential ✓

**2. Capital Rebalance:**

- Reduce Deficit ✓
- Increase Domestic Savings ✓
- Reduce Interest Rates
- Anti-Trust Amendments to Permit Joint Production Ventures *EPC says can't go out with (2)*

**3. Education and Science Policy:**

- Increased Funding for NSF ✓
- Student Incentives for Teaching Math & Science ✓
- Support for NIST's "Advanced Technology Program" ✓
- Support for NSF's Basic Science & Research Programs ✓
- Support for DARPA's Initiative for High Def. R&D

**4. Market Access:**

- Support for Super 301 ✓
- Support for the Structural Impediments Initiative ✓

**5. Export Controls:**

- Support for License-free Zone in COCOM ✓
- Support for Amending Supercomputer Definition
- Commerce Dept. Control Over Dual-Use Control List

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The President might best do so by enunciating his policy as a comprehensive 5 point program:

- ✓ 1. Capital Rebalance — i.e., cost of capital ✓ (or pool)
- ✓ 2. Education
- ✓ 3. Research & Development
- ✓ 4. Market Access (SII, COCOM)
5. Export Controls
6. JPV's
7. Compet. Council -- subtle products

These are the basic pillars of a "pre-competitive" infrastructure that is seriously in disrepair. They favor no particular industry, but by focusing on them collectively, the Administration recognizes the strategic importance of a vibrant high technology sector.

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brief points...*

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I hope that this information is helpful. Please call if I can be further assistance.

# Withdrawal/Redaction Sheet

## (George Bush Library)

| Document No.<br>and Type | Subject/Title of Document                                                                                  | Date     | Restriction | Class. |
|--------------------------|------------------------------------------------------------------------------------------------------------|----------|-------------|--------|
| 03a. Memo                | Carolyn Cawley to Mark Lange, re: American Electronics Association; personal information redacted. (1 pp.) | 02/28/90 | P-6, (b)(6) |        |

**Collection:**

**Record Group:** Bush Presidential Records  
**Office:** Speechwriting, White House Office of  
**Series:** Speech File, Backup  
**Subseries:**  
**WHORM Cat.:**  
**File Location:** American Electronics Association 3/7/90

|                                      |                            |
|--------------------------------------|----------------------------|
| <b>Date Closed:</b> 10/14/2004       | <b>OA/ID Number:</b> 06854 |
| <b>FOIA/SYS Case #:</b>              |                            |
| <b>Re-review Case #:</b> 2004-2265-S |                            |
| <b>P-2/P-5 Review Case #:</b>        |                            |
| <b>MR Case #:</b>                    | <b>Appeal Case #:</b>      |
| <b>MR Disposition:</b>               | <b>Appeal Disposition:</b> |
| <b>Disposition Date:</b>             | <b>Disposition Date:</b>   |

### 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 advise 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.

**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

February 28, 1990

INFORMATION

MEMORANDUM

TO: MARK LANGE  
FROM: CAROLYN CAWLEY

SUBJECT: American Electronics Association

\*\*\* A brief note before this begins... Jeff Vogt would really like to discuss this with you on the phone, and I think it's a good idea too because he really knows this stuff and it's safer than me relaying it. He'd like you to call him at home tonight (2/28) after 11:00 EST. His number is: [REDACTED] P-6, (b)(6)

Among his suggestions were: to really beef up, in the front of the speech, a big pat on the back to the AEA. Highlight the leadership role they have played in the industry for the last century, especially in innovation and product development. Also, you'll see from reading the fax I sent you (the letter and TP's from AEA, re: the Governor) that the AEA agrees with this Administration on EVERYTHING and it's rare to speak to a group so supportive.

1. p. 1/Introductions: Neither David Packard nor Bob Noyce will be present. If we want a historical twist, we can say that "from your ranks have come David Packard, one of the founders of Hewlett-Packard, and Ed Zschau."

Also, someone who WILL be present is Mr. Gary Tooker, President of Motorola and last year's recipient of the Baldrige Award.

2. p. 3/paragraph 1: The Savings and Economic Growth Act was introduced on February 2...since this AEA speech will be in March, we need to say "early last month we sent to Congress..."

The Savings and Economic Growth Act has three prongs:

capital gains

IRAs

family savings

} treat in trio

*Harlow*

a. We discuss capital gains and IRAs but not family savings. My man at Treasury (Asst. Secretary) recommends that we mention family savings as well because POTUS discussed family savings specifically in the State o' the Union. How about:

"We're proposing new incentives for IRAs as well as an innovative family savings account."

b. Secondly, he suggests that we move the cap gains graph to be within the context of SEGA (Savings and Econ Growth Act). He says that AEA is our primary private industry supporter of this, so: first, it would be good to beef up the cap gains graph.

We can not let the AEA split cap gains from the rest of SEGA in their own minds, and it was an administration decision to keep them together. Let's discuss cap gains within the context of SEGA along with IRAs and family savings.

3. p.3/paragraph 4: "a new National Math and Science Scholars Program" is incorrect, it combines two different programs.

There is a NATIONAL SCIENCE SCHOLARS PROGRAM proposal. It includes a proposal of \$5 million to provide undergraduate scholarships of up to \$10,000 to students demonstrating proficiency in the sciences.

Then there is the EISENHOWER MATH AND SCIENCES EDUCATIONAL PROGRAM. In this, the Administration is requesting \$231 million in FY 91, a 70% increase over the current program, to better prepare teachers and raise student achievement.

WHICH ONE DO WE MEAN?

4. p.4/paragraph 1: Vogt offered a couple of suggestions regarding this graph about trade and Japan. Briefly, he thinks we should highlight the difference between multilateral talks (GATT) and bilateral ones (SII). Also, he'd like to see mention of Super 301 and the fact that Carla Hills has announced that we will be enforcing the semiconductor agreement. The Kaifu stuff will be very important...hope Palm Springs goes well.

5. p. 4/paragraph 4: First of all, I spoke with Lehmann Li of the ECP; he was part of the EPC decision which is the basis of all this and he authored a memo to the President for approval. Unfortunately, the President has not signed off on it yet and is not expected to do so before this speech is given. Lehmann and Vogt had a chance to speak and agreed that this is too big an issue and announcement to do at this time, especially since the President has not yet OK'ed it and Vogt says he other events upcoming which would be good forums.

# Withdrawal/Redaction Sheet

## (George Bush Library)

| Document No.<br>and Type | Subject/Title of Document                                                                                  | Date | Restriction | Class. |
|--------------------------|------------------------------------------------------------------------------------------------------------|------|-------------|--------|
| 03b. Memo                | Carolyn Cawley to Mark Lange, re: American Electronics Association; personal information redacted. (1 pp.) | n.d. | P-6, (b)(6) |        |

**Collection:**

**Record Group:** Bush Presidential Records  
**Office:** Speechwriting, White House Office of  
**Series:** Speech File, Backup  
**Subseries:**  
**WHORM Cat.:**  
**File Location:** American Electronics Association 3/7/90

|                                      |                            |
|--------------------------------------|----------------------------|
| <b>Date Closed:</b> 10/14/2004       | <b>OA/ID Number:</b> 06854 |
| <b>FOIA/SYS Case #:</b>              |                            |
| <b>Re-review Case #:</b> 2004-2265-S |                            |
| <b>P-2/P-5 Review Case #:</b>        |                            |
| <b>MR Case #:</b>                    | <b>Appeal Case #:</b>      |
| <b>MR Disposition:</b>               | <b>Appeal Disposition:</b> |
| <b>Disposition Date:</b>             | <b>Disposition Date:</b>   |

### 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 advise 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.

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(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

But, if you feel strongly, talk to Vogt and see.

Secondly, if it should be decided to mention this joint production issue, there have to language changes. Here are the nuts and bolts that I got from Commerce and EPC, obviously they need work to be used in a speech:

All firms would have to register an "intent" statement with the Justice Department and the Federal Trade Commission. Then, they would be subject to no more than "single damages" in a private anti-trust suit. (Apparently this is a big change.)

((the problem with the original draft wording was that it sounded like Justice would be administering the judgments...read on...))

There is pending legislation on the Hill on this issue, and they are NOT OUR PROPOSALS, as it says in the draft. We are looking to support whatever the Hill turns out...so, we could say:

"We will seek to support proposals that would assure that the competitive realities of joint production ventures are assessed/judged by the courts, on a case-by-case basis." (Under the Anti-Trust Rule of Reason, which removes the blanket judgement and requires the courts to look at each case alone.)

"This initiative would enhance the competitive strength of American industries by allowing firms to share investment risks and pool their complementary skills in building new production facilities." ((remove the wording about R&D because it is already provided for in existing laws.))

Mark, I'll call the Embassy in Paris tomorrow morning first thing. Don't hesitate to call me anytime for anything. Home [REDACTED] and I'll be on beeper. Hope you're having a good time! Get sun and drinks cocktails with tiny little umbrellas in them!!!

"Hi" to Stephanie & Dave.

Talk to you later,

Cawley

P-6,  
(b)(6)

(Lange/Cawley)  
February 27, 1989  
5:30 P.M.  
[AEA.DOC]

PRESIDENTIAL REMARKS: AMERICAN ELECTRONICS ASSOCIATION  
WASHINGTON COURT HOTEL  
WEDNESDAY, MARCH 7, 1990  
11:30 A.M.

John  
Mancini  
(( Thank you, Mitchell [Kertzman]. Dick Iverson, David  
Packard, Bob Noyce... it's good to see so many familiar faces.  
Many of you came a long way to be here, so I won't compel you to  
sit through a long speech. The punishment should fit the crime.

Which reminds me of a story. An orchestra was having a  
bad season. The critics were howling. Then one day the first  
violinist was murdered. Turns out the conductor did it.

He was tried, and convicted, and on the morning he was going  
to the electric chair they asked him if he had any last requests.  
He said, "I would like a banana."

So they let him eat a banana. Then they turned on the  
voltage. No effect. So they doubled it. Still no effect. He  
just sat there grinning. They asked him, "How is this possible?  
Was it the banana?" And he said, "No, I guess I'm just a bad  
conductor." ))) ))

It's an honor and a pleasure to have you here today. You  
have the people -- and the products -- that keep this country  
competitive.

For almost 50 years now, you've been at the center of a

remarkable revolution: in the way work is done, the way ideas are managed -- even the way time and the vast reaches of space are understood.

And along the way, you've also become the nation's largest manufacturing industry -- creating jobs for over two and a half million Americans. Modernizing services and industries of every kind. And providing a vital export market.

As technologies, economies, and geopolitics change almost weekly, your industries stand at a threshold of tremendous opportunity.

So we intend to work with you -- closely, constantly, and consistently -- to see that American electronics and technologies regain and retain a preeminent position in world markets.

We're committed to a program of immediate and long-term competitive strategies for the future. And while we're only at the start of a process that shows great promise, today I want to outline briefly what we're already doing.

Our first priority is to encourage productivity gains, savings, and long-term investment in high-tech industries, by lowering the cost of capital.

We believe that one of the most crucial Federal priorities is to encourage planning for the long term -- because for too long, where investment is concerned, the Federal government has been more of a hindrance than a help.

So we're fighting hard -- with your support -- for a business-building, job-creating, revenue enhancing cut in the capital gains differential.

*1200*  
*Last*  
Earlier this month we sent to Congress our Savings and Economic Growth Act, to stimulate domestic savings. We're proposing new incentives for IRAs. And we've proposed a budget that will bring the deficit down \\ below the Gramm-Rudman-Hollings targets \\ without raising taxes.

Along with encouraging investment, we're committed to unprecedented support for research and development efforts. We believe that the R & E tax credit should be made permanent. And our budget includes a record-breaking \$70 billion in Federal direct investment for research and development.

It devotes unprecedented resources to space. Education. The National Science Foundation. Drug abuse control. Environmental initiatives. And other crucial investments in America's future.

But we understand, as you do, that no investment is more important than our human resources. So together with the nation's governors, we've set ambitious goals for America's students. As an incentive to the nation's students, we've created a new National Math and Science Scholars program.

We're committed: By the year 2000, our kids can be first in the world in science and math achievement -- and with enough involvement and leadership from groups like this one, they will be.

Your industries face some unique challenges. The marketplace is tough enough without undue constraints and unfair restrictions.

So we've pledged to make sure that trade is free, and fair. We're making progress through the GATT to remove barriers to trade. And we're moving forward with Japan, through the Structural Impediments Initiative. Just last weekend I met with Prime Minister Kaifu, who agreed \_\_\_\_\_.

I've made the relaxing of export controls a personal priority -- especially with an eye toward Eastern Europe. This week at COCOM in Paris, we have a team negotiating an interim policy.

Given the pace of political change, new developments in technology, and the competitive position of American industry, I'm confident that we'll be able to revise and modernize our export controls without compromising national security.

REMOVE → { To provide further competitive benefits for American firms, we're also working on legislation to allow them to join forces in joint production ventures. On a case-by-case basis, the Justice Department will consider relaxing anti-trust limits for firms interested in making use of complementary skills and facilities, shared R & D, and shared investment risks. } ←

One risk you all face, of course -- to a great and unfortunate degree -- is product liability. And the Council on Competitiveness, chaired by Vice President Quayle, is already working for significant reform of our cumbersome and expensive product liability system.

Today I'm going to offer that council another challenge: to form a working group, to find ways that American industry can

better translate new ideas and technologies into marketable products.

So many of the world's most advanced technologies, from robotics to the VCR, were first developed here. And so many of those concepts were ultimately brought to the marketplace by our competitors. We can do better. And we will do better.

Today I've outlined some of what we're doing to level the field. But it will be leaders like you that have to take the ball and run with it.

*John  
C. ...*  
You represent the vital core of America's competitive potential, with over ~~3500~~ of the most dynamic, technologically advanced, forward-thinking companies in the country.

Your ideas are important to us. And your success is crucial to America's future. So let me encourage you to work together, and with us, on a long-term program to meet the competitive challenge of a new century.

Thank you. And God bless you.

# # #

619 Jax  
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ML in LA }

Fax: 213/277-4061

Phone: 213/277-3484

THE WHITE HOUSE  
WASHINGTON

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Signal Special Att.  
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(Lange/Cawley)  
February 27, 1989  
5:30 P.M.  
[AEA.DOC]

PRESIDENTIAL REMARKS: AMERICAN ELECTRONICS ASSOCIATION  
WASHINGTON COURT HOTEL  
WEDNESDAY, MARCH 7, 1990  
11:30 A.M.

gary Tucker  
Motorola

John  
Mancini

(( Thank you, Mitchell [Kertzman]. Dick Iverson, David  
Packard, Bob Noyce... it's good to see so many familiar faces.

Many of you came a long way to be here, so I won't compel you to  
sit through a long speech. The punishment should fit the crime.

Which reminds me of a story. An orchestra was having a  
bad season. The critics were howling. Then one day the first  
violinist was murdered. Turns out the conductor did it.

He was tried, and convicted, and on the morning he was going  
to the electric chair they asked him if he had any last requests.  
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voltage. No effect. So they doubled it. **Still** no effect. He  
just sat there grinning. They asked him, "How is this possible?  
Was it the banana?" And he said, "No, I guess I'm just a bad  
conductor." \\ \\ ))

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have the people -- and the products -- that keep this country  
competitive.

For almost 50 years now, you've been at the center of a

Mancini

2

remarkable revolution: in the way work is done, the way ideas are managed -- even the way time and the vast reaches of space are understood.

And along the way, you've also become the nation's largest manufacturing industry -- creating jobs for over two and a half **million** Americans. Modernizing services and industries of every kind. And providing a vital export market.

As technologies, economies, and geopolitics change almost weekly, your industries stand at a threshold of tremendous opportunity.

So we intend to work with you -- closely, constantly, and consistently -- to **see that American electronics and technologies regain and retain a preeminent position in world markets.**

We're committed to a program of immediate **and** long-term competitive strategies for the future. And while we're only at the start of a process that shows great promise, today I want to outline briefly what we're already doing.

Our first priority is to encourage productivity gains, savings, and long-term investment in high-tech industries, by **lowering** the cost of capital.

We believe that one of the most crucial Federal priorities is to encourage planning for the long term -- because for too long, where investment is concerned, the Federal government has been more of a hindrance than a help.

So we're fighting hard -- with your support -- for a **business-building, job-creating, revenue enhancing cut in the capital gains differential.**

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Legis Aff

Earlier this month we sent to Congress our Savings and Economic Growth Act, to stimulate domestic savings. We're proposing new incentives for IRAs. And we've proposed a budget that will bring the deficit **down** \\ below the Gramm-Rudman-Hollings targets \\ **without** raising taxes.

Along with encouraging investment, we're committed to **unprecedented support for research and development efforts.**

We believe that the R & E tax credit should be made permanent.

FY '91 Budget  
p. 92

And our budget includes a record-breaking <sup>over \$71 B</sup> \$70 billion in Federal direct investment for research and development.

VOST

It devotes unprecedented resources to space. Education. The National Science Foundation. Drug abuse control. Environmental initiatives. And other crucial investments in America's future.

But we understand, as you do, that **no investment is more important than our human resources.** So together with the nation's governors, we've set ambitious goals for America's students. As an incentive to the nation's students, we've created a new National Math and Science Scholars program.

Ed  
NTI Science  
Scholars

Tom Lyons  
Dept of Ed.  
State of  
the Union

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Your industries face some unique challenges. The marketplace is tough enough without undue constraints and unfair restrictions.

call sign on hold  
till US done w/  
strategic review by May → clear position  
w/ USSR

~~US~~ US wanted to differ w/ should we??  
cocon nty in June  
in Paris; was agr by then  
→ by Houston in July  
need concrete

~~Refused~~  
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the push:  
expert more to EA Europe  
still memb of Warsaw Pact  
need them to provide safeguards  
on site inspections  
affordable safeguards

diff bt mkt talks 4 Super 301  
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So we've pledged to make sure that trade is free, and fair. We're making progress through the GATT to remove barriers to trade. And we're moving forward with Japan, through the Structural Impediments Initiative. Just last weekend I met with Prime Minister Kaifu, who agreed \_\_\_\_\_.

Vogt

I've made the **relaxing of export controls** a personal priority -- especially with an eye toward Eastern Europe. This week at COCOM in Paris, we have a team negotiating an interim policy.

Rich  
Barsh  
X 3550

Given the pace of political change, new developments in technology, and the competitive position of American industry, I'm confident that we'll be able to revise and modernize our export controls **without** compromising national security.

REMOVE → { To provide further competitive benefits for American firms, we're also working on legislation to allow them to join forces in **joint production ventures**. On a case-by-case basis, the Justice Department will consider relaxing anti-trust limits for firms interested in making use of complementary skills and facilities, shared R & D, and shared investment risks. } ←

support

X

One risk you **all** face, of course -- to a great and unfortunate degree -- is product liability. And the Council on Competitiveness, chaired by Vice President Quayle, is already working for significant reform of our cumbersome and expensive product liability system.

Expand?

Memo

Today I'm going to offer that council another challenge: to form a working group, to **find ways that American industry can**

better translate new ideas and technologies into marketable products.

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Today I've outlined some of what we're doing to level the field. But it will be leaders like you that have to take the ball and run with it.

*John*  
*Marcini*  
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Thank you. And God bless you.

# # #

front of speech

while US leadership in  
this industry for a century  
innov/prod. dev't  
because of you, we've succeeded.

up on back !!

> Japan, a 12 = for

raising fair balance by fighting  
with it - the policy

COCON  
Mike Geater

(Lange/Cawley)  
March 3, 1990  
4:00 P.M.  
[AEA.DOC]

PRESIDENTIAL REMARKS: AMERICAN ELECTRONICS ASSOCIATION  
WASHINGTON COURT HOTEL  
WEDNESDAY, MARCH 7, 1990  
11:30 A.M.

(( Thank you, Mitchell [Kertzman]. It's good to see so many familiar faces. Many of you came a long way to be here -- so I won't ask you to sit through a long speech. The punishment should fit the crime.

Which reminds me of a story. An orchestra was having a bad season. The critics were howling. Then one day the first violinist was murdered. Turns out the conductor did it.

He was tried, and convicted, and on the morning he was going to the electric chair they asked him if he had any last requests. He said, "I would like a banana."

So they let him eat a banana. Then they turned on the voltage. No effect. So they doubled it. Still no effect. He just sat there grinning. They asked him, "How is this possible? Was it the banana?" And he said, "No, I guess I'm just a bad conductor." \\ \ ))

It's an honor and a pleasure to have you here today. You are the leaders of a vital range of our most innovative and interrelated industries -- from semiconductors, microchips and circuit boards... to PCs, mainframes, telecommunications, and defense electronics.

But at **every** stage of that impressive technological "food chain," yours are the people -- and the products -- that keep this country competitive. I'd add a special tip of the hat to President Gary Tooker of Motorola, winner of last year's Malcolm Baldrige Quality Award.

For almost 50 years now, your industries have been at the center of a remarkable revolution: in the way work is done, the way ideas are managed -- even the way time and the vast reaches of space are understood.

And along the way, you've also become the nation's largest manufacturing industry -- creating jobs for over two and a half **million** Americans. Modernizing services and industries of every kind. Assuring our national security. And providing a vital export market.

As technologies, economies, and geopolitics change almost weekly, your industries stand at a threshold of tremendous opportunity.

So we intend to work with you -- closely, constantly, and consistently -- to **see that American electronics and technologies regain and retain a preeminent position in world markets.**

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We believe that one of the most crucial Federal priorities is to encourage planning for the long term -- because for too long, where investment is concerned, the Federal government has been more of a hindrance than a help.

So last month we sent to Congress our Savings and Economic Growth Act -- which includes an innovative family savings plan, to stimulate capital formation. New incentives for IRAs. And a **business-building, job-creating, revenue-enhancing cut in the capital gains differential.**

Without it, every business in America -- of every size -- is at a competitive disadvantage abroad. So we're fighting hard, with your continued support, for that crucial tax cut.

We've proposed a budget that will bring the deficit **down.** **Below** the Gramm-Rudman-Hollings targets. Without raising taxes. \\\

Along with encouraging investment, we're committed to **unprecedented support for research and development efforts.** We believe that the R & E tax credit should be made permanent. \\\ And our budget includes a record-breaking \$70 billion in Federal direct investment for research and development.

Our budget devotes unprecedented resources to space. Education. The National Science Foundation. *The fight against drugs.* ~~Drug abuse control.~~

Environmental initiatives. And other crucial investments in America's future.

But we understand, as you do, that **no investment is more important than our human resources**. So together with the nation's governors, we've set ambitious goals for America's students. As an incentive, we've proposed a new National Science Scholars program of scholarships, and requested a 70 percent increase for the Eisenhower Math and Sciences Educational Program.

We're committed: By the year 2000, our kids **can** be first in the world in science and math achievement -- and **with enough involvement and leadership from groups like this one, they will be**.

Your industries face some unique challenges. The marketplace is tough enough without undue constraints and unfair restrictions.

So we've pledged to make sure that trade is free, and fair -- through judicious but firm implementation of the 1988 trade Act, and vigorous enforcement of the Super 301 provisions. This month, at the next round of talks, we intend to \_\_\_\_\_.

We're moving forward with Japan, through the Structural Impediments Initiative -- and by working to develop a more productive relationship overall. [ Just last weekend I met with Prime Minister Kaifu, who agreed \_\_\_\_\_. ]

But we're also committed to strengthening and expanding the multilateral talks, through the Uruguay Round. We've proposed

far-reaching reforms of the global trading system, working to bring a wide range of new trade areas under the GATT. These crucial negotiations will help us create a more equitable, more efficient trade climate, worldwide.

I've made the **relaxing of export controls** a personal priority -- especially with an eye toward Eastern Europe. This week at COCOM in Paris, we have a team negotiating an interim policy.

Given the pace of political change, new developments in technology, and the competitive position of American industry, I'm confident that we'll be able to revise and modernize our export controls <sup>to help to these</sup> ~~without~~ <sup>helping emerging democracies</sup> compromising national security.

To provide further competitive benefits for American firms, we're looking at legislation to allow them to join forces in **joint production ventures**. We would support a proposal where anti-trust aspects <sup>are</sup> ~~would be~~ assessed by the courts, on a case-by-case basis. This initiative would build on the competitive strength of American business, by allowing firms to pool skills, build new production facilities, and share investment risks.

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# # #