Case Number: 2016-0152-F

FOIA MARKER

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

Folder Title: Chron File - May 1993 #3 [6]				
Staff Office-Individual: Defense Policy-Bell, Robert				
Original OA/ID Number: 45				
Row: 31	Section: 3	Shelf: 2	Position: 1	Stack: V

Withdrawal/Redaction Sheet
Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. letter	Personal. [partial] [Duplicate of vz4317_001] (1 page)	05/02/1993	b(6)
002. memo	Legislative Referral Memorandum M-336. [CIA Act] [partial] (1 page)	05/27/1993	P3/b(3)

COLLECTION:

Clinton Presidential Records
National Security Council
Defense Policy and Arms Control (Robert Bell)
OA/Box Number: 45

FOLDER TITLE:

Chron File - May 1993 #3 [6]

2016-0152-F
vz4407

RESTRICTION CODES

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

P1 National Security Classified Information [(a)(1) of the PRA]
P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
P3 Release would violate a Federal statute [(a)(3) of the PRA]
P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
P5 Release would disclose confidential advice between the President and his advisors, or between such advisors [a)(5) of the PRA]
P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.
PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).
RR. Document will be reviewed upon request.

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 concerning wells [(b)(9) of the FOIA]

UNCLASSIFIED
NSC/RMO PROFILE

RECORD ID: 9303759
RECEIVED: 24 MAY 93 18

TO: LAKE

FROM: MCLARTY, T

DOC DATE: 13 MAY 93
SOURCE REF:

KEYWORDS: SERBIA
MP

DEFENSE POLICY

PERSONS: LIGON, STARK

SUBJECT: LTR TO CHIEF OF STAFF RE SERBONIAN BOG

ACTION: FOR RECORD PURPOSES

DUE DATE: 27 MAY 93 STATUS: C

STAFF OFFICER: NONE

LOGREF:

FILES: WH NSCP: CODES:

D O C U M E N T D I S T R I B U T I O N

FOR ACTION	FOR CONCURRENCE	FOR INFO
		BELL
		BERGER
		HAHN
		HOLL
		JONES
		LAKE
		WALKER

COMMENTS: ______________________________

DISPATCHED BY ____________ DATE ____________ BY HAND W/ATTCH

OPENED BY: NSWEA CLOSED BY: NSWEA DOC 1 OF 1

UNCLASSIFIED

Please staff
3759

ROUTING SLIP

FROM: Mack McLarty
Chief of Staff

DATE: 5/13

TO:

The President		Vice President Gore	
Sandy Berger		Howard Paster	
Rahm Emanuel		John Podesta	
Marcia Hale		Carol Rasco	
Alexis Herman		Bob Rubin	
Nancy Hernreich		Eli Segal	
Anthony Lake	✓	George Stephanopoulos	
Bruce Lindsey		Christine Varney	
Regina Montoya		David Watkins	
Roy Neel		Maggie Williams	
Bernie Nussbaum		OTHER	

FOR YOUR:

Action ____ Information ✓

See me ____

____ For the President

Mack thought you would be interested in the attached info. re: "Serbonian Bog".

Withdrawal/Redaction Marker
Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. letter	Personal. [partial] [Duplicate of vz4317_001] (1 page)	05/02/1993	b(6)

COLLECTION:

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OA/Box Number: 45

FOLDER TITLE:

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2016-0152-F
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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 concerning wells [(b)(9) of the FOIA]

STARK LIGON
P. O. BOX 881
WARREN, AR 71671
501-226-2286

2 May 1993

response

Mr. and Mrs. Mack McLarty
2475 Kalorama Road, N.W.
Washington, D.C. 20008

Dear Donna Kay and Mack:

Marianne and I enjoyed Donna Kay's thoughtful note recently received, and we are encouraged to read newspaper accounts that the two of you are settling in to D.C. life with the help of old and new friends.

Donna Kay, you were kind to suggest Marianne and I come to D.C. for a visit with you. (b)(6) (b)(6) (b)(6) However, I think it might be premature to plan anything for the next few months, as it sounds like it would be difficult to have any real time with the both of you, given the time demands of Mack's job duties. Bill must come first, and I can not imagine any rougher time than the first 6-12 months of a new administration.

(b)(6) [001]

Tony Smith

Mack, no politics here, just a term of "legal art." Some years ago there was an article in the Arkansas Law Review (Vol. 39, No. 3, 1986) that borrowed Justice Cardozo's phrase "Serbonian Bog," to describe Arkansas municipal bond law. The term was apparently originally used as Milton's name for Lake Serbonis in Lower Egypt, a marshy tract of land "where armies whole have sunk," a phrase some loyal friend should whisper daily in the ears of decision-makers. (The other being "Fame is fleeting.") I do not know if Bosnia and Serbia have bogs, but the phrase is interesting.

(b)(6)

RECORD ID: 9320481
RECEIVED: 06 MAY 93 15

TO: ITOH

FROM: GATI
DARRAGH

DOC DATE: 06 MAY 93
SOURCE REF:

KEYWORDS: ADMINISTRATIVE

PERSONS: GATI

SUBJECT: NSC STAFF TRAVEL - TOBY GATI FOR PERIOD 17 - 21 MAY

ACTION: KENNEY APPROVED RECOM

DUE DATE: 10 MAY 93

STATUS: C

STAFF OFFICER: GATI

LOGREF:

FILES: ADMIN

NSCP:

CODES:

D O C U M E N T   D I S T R I B U T I O N

FOR ACTION	FOR CONCURRENCE	FOR INFO
		DARRAGH
		GATI
		NSC CHRON

COMMENTS:

DISPATCHED BY ______________ DATE __________ BY HAND W/ATTCH

OPENED BY: NSWEA

CLOSED BY: NSKDB

DOC 1 OF 1

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

20481

May 6, 1993

ACTION

MEMORANDUM FOR WILLIAM H. ITOH

THROUGH: SEAN J. DARRAGH SJD

FROM: TOBY T. GATI

SUBJECT: Travel Orders for Toby Gati

Travel authorization is requested for my travel between New York and Washington for the period May 17-21, 1993. I will be commuting between New York and Washington weekly before permanently moving to Washington the end of June.

RECOMMENDATION

That you sign the travel authorization form at Tab I.

Approve ____ Disapprove ____

Attachments
Tab I Travel Authorization form
Tab II Memorandum authorizing travel dated February 4, 1993

DATE 5/6/93

NSC STAFF TRAVEL AUTHORIZATION

1. TRAVELER'S NAME: Toby T. Gati

2. PURPOSE/EVENT (Include Dates): Travel between New York and Washington May 17-21

3. ITINERARY (Please Attach Copy of Proposed Itinerary): From New York to Washington and return to New York

4. DEPARTURE DATE 5/17 RETURN DATE 5/21
DEPARTURE TIME 6:32am RETURN TIME 9:30pm

5. MODE OF TRANSPORTATION:

GOVT. AIR ____ COMMERCIAL AIR xx POV ____ RAIL ____
OTHER ____

6. ESTIMATED EXPENSES:

TRANSPORTATION 133.00 PER DIEM ____ OTHER ____
TOTAL 133.00

7. WHO PAYS EXPENSES: NSC x OTHER ____

IF NOT NSC, DESCRIBE SOURCE AND ARRANGEMENTS: ____

8. WILL FAMILY MEMBER ACCOMPANY YOU: YES ____ NO x

IF SO, WHO PAYS FOR FAMILY MEMBER (If Travel Not Paid By Traveler, Describe Source & Arrangements): ____

9. TRAVEL ADVANCE REQUESTED: $ No

10. REMARKS (Use This Space to Indicate Any Additional Items You Would Like to Appear on Your Travel Orders): ____

11. TRAVELER'S SIGNATURE: [signature]

12. APPROVALS: Senior Director [signature]
Director of Administration [signature]
Executive Secretary [signature]

NATIONAL SECURITY COUNCIL
WASHINGTON D C 20506

February 4, 1993

ACTION

MEMORANDUM FOR NANCY SODERBERG

THROUGH: JAMES P. FARRELL

FROM: TOBY T. GATI

SUBJECT: Travel Orders for Toby Gati

Travel authorization is requested for my travel between New York and Washington for the period February 2 through June 30, 1993. I will be commuting between New York and Washington weekly before permanently moving to Washington the end of June.

It is requested that funds not to exceed $2926 be approved for use between February 2 through June 30, 1993, for the above mentioned travel. If additional funds are required approval will be requested through your office.

RECOMMENDATION

That you approve the travel request and authorize Will Itoh to sign the travel authorization form at Tab I.

Approve _____ Disapprove _____

Attachment
Tab I Travel Authorization form

3815

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

May 26, 1993

ACTION

MEMORANDUM FOR WILLIAM H. ITOH

THROUGH: ROBERT BELL

FROM: KEITH HAHN

SUBJECT: OMB Request for Views RE: HR 2152, Merchant Marine Investment Act of 1993

At Tab II, the House Merchant Marine and Fisheries Committee has proposed changes to the Capital Construction Fund (CCF) designed to make U.S. shipyards more competitive. This proposal was drafted at the request of Congressman Studds after the decision by the NEC-chaired Maritime Revitalization IWG that no legislative proposal would be made by the Administration earlier than the end of the summer. This group decided that we needed to let DoD complete its Bottom-Up Review to determine national security sealift requirements and to let the Congressionally-mandated Administration interagency working group (which I am co-chairing with NEC) complete its study of the U.S. shipbuilding industry.

The National Defense Authorization Act for FY93 requires the President to set up a working group for the sole purpose of examining these issues and, by October 1, 1993, proposing a plan to assist the revitalization of the U.S. shipbuilding industry. This group should have the opportunity to review the problems facing the industry and to evaluate whether alternative programs (such as one recently proposed by ARPA) will actually work. Moreover, the deadline for proposals to improve shipbuilding technologies under the Technology Reinvestment Program is July 23, 1993. Additional time is therefore likely to yield a more accurate assessment of potential projects and estimated costs of alternatives.

This proposal is essentially the same as the Transportation proposal provided to the Maritime Revitalization IWG. It should be noted that substantial subsidies of this nature in the past have not enabled shipyards to become commercially viable.

Concurrences by: Jeremy Rosner (in draft) and Alan Kreczko (in draft)

RECOMMENDATION

That you sign the memorandum at Tab I opposing this legislation until the Congressionally-mandated Administration study is completed.

Attachments
Tab I Memorandum for Signature
Tab II Incoming Correspondence

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

MEMORANDUM FOR JAMES J. JUKES

FROM: WILLIAM H. ITOH

SUBJECT: OMB Request for Views RE: HR 2152, Merchant Marine Investment Act of 1993

The National Security Council staff opposes the proposed Merchant Marine Investment Act of 1993. We believe any legislation on this issue should await the results of the Congressionally-mandated review of the U.S. shipbuilding industry currently being conducted by the Administration.

24-PAGES
3815

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

May 24, 1993

LEGISLATIVE REFERRAL MEMORANDUM

LRM #I-505

TO: Legislative Liaison Officer -

AGRIC-CR - Robin Rorapaugh (all testimony) - (202)720-7095 - 230
COMMERCE - Michael A. Levitt - (202)482-3086 - 324
DEFENSE - Samuel T. Brick, Jr. - (703)697-1305 - 325
JUSTICE - Faith Burton - (202)514-2141 - 217
LABOR - Robert A. Shapiro - (202)219-8201 - 330
STATE - Bill Keppler - (202)647-2137 - 225
TRANSPORTATION - Tom Herlihy - (202)366-4687 - 226
TREASURY - Richard S. Carro - (202)622-1146 - 228
NSC - William H. Itoh - (202)395-3723 - 249
AID - Robert M. Lester - (202)647-8371 - 202
CEA - Francine Obermiller - (202)395-5036 - 242
NEC - Sonia Mathews - (202)456-6722 - 429
USTR - Fred Montgomery - (202)395-3475 - 223

FROM: JAMES J. JUKES (for) Ji
Assistant Director for Legislative Reference

OMB CONTACT: Jim BROWN (395-3473)
Secretary's line (for simple responses): 395-3454

SUBJECT: OMB Request for Views RE: HR 2152, Merchant Marine Investment Act of 1993

DEADLINE: 5:00 P.M. FRIDAY June 4, 1993

COMMENTS: The House Merchant Marine and Fisheries Committee will mark up this bill on May 26. The bill has also been referred to the Ways and Means Committee, which has not yet scheduled any action on the bill.

OMB requests the views of your agency on the above subject before advising on its relationship to the program of the President, in accordance with OMB Circular A-19.

Please advise us if this item will affect direct spending or receipts for purposes of the the "Pay-As-You-Go" provisions of Title XIII of the Omnibus Budget Reconciliation Act of 1990.

CC:
Meg DiBari
John McClelland
Bob Damus
Vince Foster
Cyndi Vallina
Alan Rhinesmith
Michael Deich
Roger Adkins
Doug Steiger

LRM #I-505

RESPONSE TO LEGISLATIVE REFERRAL MEMORANDUM

If your response to this request for views is simple (e.g., concur/no comment) we prefer that you respond by faxing us this response sheet. If the response is simple and you prefer to call, please call the branch-wide line shown below (NOT the analyst's line) to leave a message with a secretary.

You may also respond by (1) calling the analyst/attorney's direct line (you will be connected to voice mail if the analyst does not answer); (2) sending us a memo or letter; or (3) if you are an OASIS user in the Executive Office of the President, sending an E-mail message. Please include the LRM number shown above, and the subject shown below.

TO: Jim BROWN
Office of Management and Budget
Fax Number: (202) 395-3109
Analyst/Attorney's Direct Number: (202) 395-3473
Branch-Wide Line (to reach secretary): (202) 395-3454

FROM: ______________________ (Date)

______________________ (Name)

______________________ (Agency)

______________________ (Telephone)

SUBJECT: OMB Request for Views RE: HR 2152, Merchant Marine Investment Act of 1993

The following is the response of our agency to your request for views on the above-captioned subject:

_______ Concur

_______ No objection

_______ No comment

_______ See proposed edits on pages _______________

_______ Other: ______________________________

_______ FAX RETURN of _____ pages, attached to this response sheet

F:\M\STUDDS\STUDDS.031 H.L.C.

103D CONGRESS
1ST SESSION

H. R. 2152

IN THE HOUSE OF REPRESENTATIVES

Mr. STUDDS introduced the following bill; which was referred to the Committee on ______________

A BILL

To amend the Merchant Marine Act, 1936 to encourage merchant marine investment, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the "Merchant Marine Investment Act of 1993".

SEC. 2. AMENDMENTS OF MERCHANT MARINE ACT, 1936.

(a) CHANGES IN VESSELS TO WHICH CAPITAL CONSTRUCTION FUNDS APPLY.—

(1) The second sentence of section 607(a) of the Merchant Marine Act, 1936 (46 App. U.S.C. 1177) is amended to read as follows: "Any agreement entered into under this section shall be for the purpose of providing replacement vessels, additional vessels, or reconstructed vessels, built in the United States and documented under the laws of the United States for operation in the foreign or domestic commerce of the United States or in the fisheries of the United States and shall provide for the deposit in the fund of the amounts agreed upon as necessary or appropriate to provide for qualified withdrawals under subsection (f)."

(2) Paragraph (1) of section 607(k) of such Act (defining eligible vessel) is amended to read as follows:

"(1) The term 'eligible vessel' means any vessel—

"(A) documented under the laws of the United States, and

"(B) operated in the foreign or domestic commerce of the United States or in the fisheries of the United States."

(3) Paragraph (2) of section 607(k) of such Act is amended by striking subparagraph (C) and inserting the following:

"(C) which the person maintaining the fund agrees with the Secretary will be operated in the foreign or domestic commerce of the United States or in the fisheries of the United States.

Such term shall not include any towing vessel, barge, or dry or liquid bulk vessel operated on the inland waterways of the United States."

(4) Subsection (f) of section 607 of such Act is amended by adding at the end thereof the following new paragraph:

"(3) For purposes of this subsection, the determination of whether any withdrawal from amounts in any capital construction fund as of the date of the enactment of the Merchant Marine Investment Act of 1993 (or from earnings thereon) is a qualified withdrawal shall be made using the definition of 'qualified vessel' as in effect on the day before such date of the enactment."

(5) Subsection (k) of section 607 of such Act is amended by adding at the end thereof the following new paragraphs:

"(10) The term 'inland waterways of the United States' means any inland waterway of the United States which is described in section 206 of the Inland Waterways Revenue Act of 1978 (33 U.S.C. 1804).

"(11) The terms 'foreign commerce' and 'foreign trade' have the meanings given such terms in section 905, except that such terms shall include commerce or trade between foreign ports."

(6) Paragraph (7) of section 607(k) of such Act is amended by inserting "containers or barges intended for use as part of the complement of 1 or more qualified vessels and" before "cargo handling".

(b) TREATMENT OF FUND EARNINGS.—

(1) Section 607 of such Act is amended by adding at the end thereof the following new subsection:

"(n) TAXATION OF EARNINGS ON INVESTMENTS.—

"(1) IN GENERAL.—The tax imposed by chapter 1 of the Internal Revenue Code of 1986 shall be determined—

"(A) by excluding from gross income the taxable earnings from the investment and reinvestment of amounts held in a capital construction fund, and

"(B) by increasing the tax imposed by such chapter by the product of the amount of such taxable earnings and the highest rate of tax specified in section 1 (section 11 in the case of a corporation) of such Code.

"(2) MAXIMUM RATE ON CAPITAL GAINS.—If there is a net capital gain on amounts held in a capital construction fund, the rate of tax taken into account under paragraph (1)(B) with respect to such gain shall not exceed the rate applicable to net capital gain under section 1(h) or 1201(a) of such Code, as the case may be.

"(3) COORDINATION WITH DEDUCTION FOR NET OPERATING LOSSES.—Any earnings excluded from gross income under paragraph (1) shall be excluded in determining taxable income under section 172(b)(2) of such Code.

"(4) TAXABLE EARNINGS.—For purposes of this section, the term 'taxable earnings' means net earnings determined with the following modifications:

"(A) There shall be excluded interest income exempt from taxation under section 203 of such Code.

"(B) If the person maintaining the fund is a corporation, there shall be excluded the percentage applicable under section 243(a)(1) of such Code of any dividend received by the fund with respect to which such person would (but for paragraph (1)(A)) be allowed a deduction under section 243 of such Code.

"(C) Losses from the sale or exchange of capital assets shall be allowed only to the extent of gains from such sales or exchanges.

"(D) There shall be excluded—

"(i) earnings on amounts deposited in the fund which are attributable to vessels documented under the laws of the United States for operation in the fisheries of the United States, and

"(ii) earnings on earnings described in clause (i)."

(2) Subparagraph (D) of section 607(b)(1) of such Act is amended by inserting "reduced by the tax imposed on such receipts under subsection (n)" after "in such fund".

(3) Subparagraph (C) of section 607(d)(1) of such Act is amended by striking "shall not be taken

into account" and inserting "shall be taken into account as provided in subsection (n)".

(4) Paragraph (2) of section 607(e) of such Act is amended by striking "and" at the end of subparagraph (C), by striking the period at the end of subparagraph (D) and inserting ", and", and by adding at the end thereof the following new subparagraph:

"(F) the taxable earnings (as defined in subsection (n)) of the fund for any taxable year beginning after the date of the enactment of the Merchant Marine Investment Act of 1993."

(5) Paragraph (3) of section 607(e) of such Act is amended by adding at the end thereof the following new sentence:

"Any amount included in the taxable earnings (as defined in subsection (n)) of the fund for any taxable year beginning after the date of the enactment of the Merchant Marine Investment Act of 1993 shall not be taken into account under this paragraph."

(6) Paragraph (4) of section 607(e) of such Act is amended by adding at the end thereof the following new sentence:

"In the case of taxable years beginning after the date of the enactment of the Merchant Marine Investment Act of 1993, any amount included in the taxable earnings (as defined in subsection (n)) of the fund shall not be taken into account under subparagraph (B), and subparagraphs (C) and (E) shall not apply."

(7) Paragraph (1) of section 607(f) of such Act is amended by striking "or" at the end of subparagraph (B), by striking the period at the end of subparagraph (C) and inserting ", or", and by inserting after subparagraph (C) the following new subparagraph:

"(D) the payment of the tax imposed by subsection (n)."

(c) TREATMENT OF CERTAIN LEASE PAYMENTS.—

(1) Paragraph (1) of section 607(f) of such Act is amended by striking "or" at the end of subparagraph (C), by striking the period at the end of subparagraph (D) and inserting ", or", and by inserting after subparagraph (D) the following new subparagraph:

"(E) the payment of amounts which reduce the principal amount (as determined under regulations) of a qualified lease of a qualified vessel or of a barge or container which is part of the complement of a qualified el."

(2) Paragraph (4) of section 607(g) of such Act is amended by inserting "(or to reduce the principal amount of any qualified lease)" after "indebtedness".

(3) Subsection (k) of section 607 of such Act is amended by adding at the end thereof the following new paragraph:

"(12) The term 'qualified lease' means any lease with a term of at least 5 years."

(d) AUTHORITY TO MAKE DEPOSITS FOR PRIOR YEARS BASED ON AUDIT ADJUSTMENTS.—Subsection (b) of section 607 of such Act is amended by adding at the end thereof the following new paragraph:

"(4) To the extent permitted by joint regulations, deposits may be made in excess of the limitation described in paragraph (1) (and any limitation specified in the agreement) for the taxable year if, by reason of an audit adjustment to a prior taxable year which became final during the taxable year, the amount of the deposit could have been made for such prior taxable year."

(e) TREATMENT OF CAPITAL GAINS AND LOSSES.—

(1) Paragraph (3) of section 607(e) of such Act is amended to read as follows:

"(3) The capital gain account shall consist of—

"(A) amounts representing long-term capital gains (as defined in section 1222 of such Code) on assets referred to in subsection (b)(1)(C), reduced by

"(B) amounts representing long-term capital losses (as defined in such section) on assets held in the fund."

(2) Subparagraph (B) of section 607(e)(4) of such Act is amended to read as follows:

"(B)(i) amounts representing short-term capital gains (as defined in section 1222 of such Code) on assets referred to in subsection (b)(1)(C), reduced by

"(ii) amounts representing short-term capital losses (as defined in such section) on assets held in the fund, and".

(3) Subparagraph (B) of section 607(h)(3) of such Act is amended by striking "gain" and all that follows and inserting "long-term capital gain (as defined in section 1222 of such Code), and".

(4) The last sentence of subparagraph (A) of section 607(h)(6) of such Act is amended by striking "28 percent (34 percent in the case of a corporation)" and inserting "the rate applicable to net

capital gain under such section 1(h) or 1201(a), as the case may be".

(f) COMPUTATION OF INTEREST WITH RESPECT TO NONQUALIFIED WITHDRAWALS.—

(1) Subparagraph (C) of section 607(h)(3) of such Act is amended—

(A) by striking clause (i) and inserting the following new clause:

"(i) no addition to the tax shall be payable under section 6651 of such Code, and", and

(B) by striking "paid at the applicable rate (as defined in paragraph (4))" in clause (ii) and inserting "paid in accordance with section 6601 of such Code".

(2) Subsection (h) of section 607 of such Act is amended by striking paragraph (4) and by redesignating paragraphs (5) and (6) as paragraphs (4) and (5), respectively.

(3) Subparagraph (A) of section 607(h)(5) of such Act, as redesignated by paragraph (2), is amended by striking "paragraph (5)" and inserting "paragraph (4)".

(g) OTHER CHANGES.—

(1) Section 607 of such Act is amended by striking "the Internal Revenue Code of 1954" each place it appears and inserting "the Internal Revenue Code of 1986".

(2) Subsection (c) of section 607 of such Act is amended by striking "interest-bearing securities approved by the Secretary" and inserting "interest-bearing securities and other income-producing assets (including accounts receivable) approved by the Secretary".

SEC. 3. AMENDMENTS OF INTERNAL REVENUE CODE OF 1986.

(a) TREATMENT OF FUND EARNINGS.—

(1) Section 7518 of the Internal Revenue Code of 1986 is amended by redesignating subsections (h) and (i) as subsections (i) and (j), respectively, and by inserting after subsection (g) the following new subsection:

"(h) TAXATION OF EARNINGS ON INVESTMENTS.—

"(1) IN GENERAL.—The tax imposed by chapter 1 shall be determined—

"(A) by excluding from gross income the earnings from the investment and reinvestment of amounts held in a capital construction fund, and

"(B) by increasing the tax imposed by such chapter by the product of the amount of such earnings and the highest rate of tax specified in section 1 (section 11 in the case of a corporation).

"(2) MAXIMUM RATE ON CAPITAL GAINS.—If there is a net capital gain on amounts held in a capital construction fund, the rate of tax taken into account under paragraph (1)(B) with respect to such gain shall not exceed the rate applicable to net capital gain under section 1(h) or 1201(a), as the case may be.

"(3) COORDINATION WITH DEDUCTION FOR NET OPERATING LOSSES.—Any earnings excluded from gross income under paragraph (1) shall be excluded in determining taxable income under section 172(b)(2).

"(4) TAXABLE EARNINGS.—For purposes of this section, the term 'taxable earnings' means net earnings determined with the following modifications:

"(A) There shall be excluded interest income exempt from taxation under section 203.

"(B) If the person maintaining the fund is a corporation, there shall be excluded the percentage applicable under section 243(a)(1) of any dividend received by the fund with respect to which such person would (but for paragraph (1)(A)) be allowed a deduction under section 243.

"(C) Losses from the sale or exchange of capital assets shall be allowed only to the extent of gains from such sales or exchanges.

"(D) There shall be excluded—

"(i) earnings on amounts deposited in the fund which are attributable to vessels documented under the laws of the United States for operation in the fisheries of the United States, and

"(ii) earnings on earnings described in clause (i)."

(2) Subparagraph (D) of section 7518(a)(1) of such Code is amended by inserting "reduced by the tax imposed on such receipts under subsection (h)" after "in such fund".

(3) Subparagraph (C) of section 7518(c)(1) of such Code is amended by striking "shall not be taken into account" and inserting "shall be taken into account as provided in subsection (h)".

(4) Paragraph (2) of section 7518(d) of such Code is amended by striking "and" at the end of subparagraph (C), by striking the period at the end of subparagraph (D) and inserting ", and", and by adding at the end thereof the following new subparagraph:

"(F) the taxable earnings (as defined in subsection (h)) of the fund for any taxable year beginning after the date of the enactment of the Merchant Marine Investment Act of 1993."

(5) Paragraph (3) of section 7518(d) of such Code is amended by adding at the end thereof the following new sentence: "Any amount included in the taxable earnings (as defined in subsection (h)) of the fund for any taxable year beginning after the date of the enactment of the Merchant Marine Investment Act of 1993 shall not be taken into account under this paragraph."

(6) Paragraph (4) of section 7518(d) of such Code is amended by adding at the end thereof the following new sentence: "In the case of taxable years beginning after the date of the enactment of the Merchant Marine Investment Act of 1993, any amount included in the taxable earnings (as defined in subsection (h)) of the fund shall not be taken into

account under subparagraph (B), and subparagraphs (C) and (E) shall not apply."

(7) Paragraph (1) of section 7518(g) of such Code is amended by striking "subsection (h)" and inserting "subsection (i)".

(8) Paragraph (1) of section 7518(e) of such Code is amended by striking "or" at the end of subparagraph (B), by striking the period at the end of subparagraph (C) and inserting ", or", and by inserting after subparagraph (C) the following new subparagraph:

"(D) the tax imposed by subsection (h)."

(b) TREATMENT OF CERTAIN LEASE PAYMENTS.—

(1) Paragraph (1) of section 7518(e) of such Code is amended by striking "or" at the end of subparagraph (C), by striking the period at the end of subparagraph (D) and inserting ", or", and by inserting after subparagraph (D) the following new subparagraph:

"(E) the payment of amounts which reduce the principal amount (as determined under regulations) of a qualified lease of a qualified vessel or of a barge or container which is part of the complement of a qualified vessel."

(2) Paragraph (4) of section 7518(f) of such Code is amended by inserting "(or to reduce the principal amount of any qualified lease)" after "indebtedness".

(c) AUTHORITY TO MAKE DEPOSITS FOR PRIOR YEARS BASED ON AUDIT ADJUSTMENTS.—Subsection (a) of section 7518 of such Code is amended by adding at the end thereof the following new paragraph:

"(4) To the extent permitted by joint regulations, deposits may be made in excess of the limitation described in paragraph (1) (and any limitation specified in the agreement) for the taxable year if, by reason of an audit adjustment to a prior taxable year which became final during the taxable year, the amount of the deposit could have been made for such prior taxable year."

(d) TREATMENT OF CAPITAL GAINS AND LOSSES.—

(1) Paragraph (3) of section 7518(d) of such Code is amended to read as follows:

"(3) The capital gain account shall consist of—

"(A) amounts representing long-term capital gains (as defined in section 1222) on assets referred to in subsection (b)(1)(C), reduced by

"(B) amounts representing long-term capital losses (as defined in such section) on assets held in the fund."

(2) Subparagraph (B) of section 7518(d)(4) of such Code is amended to read as follows:

"(B)(i) amounts representing short-term capital gains (as defined in section 1222) on assets referred to in subsection (a)(1)(C), reduced by

"(ii) amounts representing short-term capital losses (as defined in such section) on assets held in the fund, and".

(3) Subparagraph (B) of section 7518(g)(3) of such Code is amended by striking "gain" and all that follows and inserting "long-term capital gain (as defined in section 1222), and".

(4) The last sentence of subparagraph (A) of section 7518(g)(6) of such Code is amended by striking "28 percent (34 percent in the case of a corporation)" and inserting "the rate applicable to net capital gain under such section 1(h) or 1201(a), as the case may be".

(e) COMPUTATION OF INTEREST WITH RESPECT TO NONQUALIFIED WITHDRAWALS.—

(1) Subparagraph (C) of section 7518(g)(3) of such Code is amended—

(A) by striking clause (i) and inserting the following new clause:

"(i) no addition to the tax shall be payable under section 6651, and", and

(B) by striking "paid at the applicable rate (as defined in paragraph (4))" in clause (ii) and inserting "paid in accordance with section 6601".

(2) Subsection (g) of section 7518 of such Code is amended by striking paragraph (4) and by redesignating paragraphs (5) and (6) as paragraphs (4) and (5), respectively.

(3) Subparagraph (A) of section 7518(g)(5) of such Code, as redesignated by paragraph (2), is amended by striking "paragraph (5)" and inserting "paragraph (4)".

(f) OTHER CHANGES.—

(1) Paragraph (2) of section 7518(b) of such Code is amended by striking "interest-bearing securities approved by the Secretary" and inserting "interest-bearing securities and other income-producing assets (including accounts receivable) approved by the Secretary".

(2) Subsection (j) of section 7518 of such Code is amended by striking "this section." and inserting "the Omnibus Budget Reconciliation Act of 1993."

(3) Section 137 of such Code is amended by striking paragraph (4) and by redesignating paragraphs (5) and (6) as paragraphs (4) and (5), respectively.

(4) Subparagraph (B) of section 543(a)(1) of such Code is amended to read as follows:

"(B) interest on amounts set aside in a capital construction fund under section 607 of the Merchant Marine Act, 1936 (46 App. U.S.C. 1177), or in a construction reserve fund under section 511 of such Act (46 App. U.S.C. 1161),".

(5) Subsection (c) of section 56 is amended by striking paragraph (2) and by redesignating paragraph (3) as paragraph (2).

SEC. 4. 3-YEAR RECOVERY PERIOD FOR UNITED STATES FLAG VESSELS.

(a) IN GENERAL.—Subparagraph (A) of section 168(e)(3) of the Internal Revenue Code of 1986 is amended by striking "and" at the end of clause (i), by striking the period at the end of clause (ii) and inserting ", and", and by adding at the end thereof the following:

"(iii) any eligible vessel (as defined in section 607(k)(1) of the Merchant Marine Act, 1936, and its complement of containers, but only if the original use of such vessel and containers commences with the taxpayer.

Clause (iii) shall not apply to any vessel documented under the laws of the United States for operation in the fisheries of the United States."

(b) MINIMUM TAX TREATMENT.—

(1) Subparagraph (B) of section 56(a)(1) of such Code is amended by inserting before the period "or in paragraph (3)(A)(iii) of section 168(e)".

(2) Clause (v) of section 56(g)(4)(A) of such Code is amended by inserting "or in paragraph (3)(A)(iii) of section 168(e)" after "section 168(f)".

SEC. 3. EFFECTIVE DATE.

(a) IN GENERAL.—Except as otherwise provided in this section, the amendments made by this Act shall apply to taxable years beginning after the date of the enactment of this Act.

(b) DEFINITION OF QUALIFIED VESSEL.—The amendments made by paragraphs (2) and (3) of section 2(a) shall apply for purposes of determining whether any withdrawal made after December 31, 1992, is a qualified withdrawal (within the meaning of section 607(f) of the Merchant Marine Act, 1936, as in effect after such amendments).

(c) TAXATION OF EARNINGS.—The amendments made by sections 2(b) and 3(a) shall apply to earnings after December 31, 1992, in taxable years ending after such date.

(d) CHANGES IN COMPUTATION OF INTEREST.—The amendments made by sections 2(f) and 3(e) shall apply to withdrawals made after December 31, 1992, including for purposes of computing interest on such a withdrawal for periods on or before such date.

(e) QUALIFIED LEASES.—The amendments made by sections 2(c) and 3(b) shall apply to leases in effect on, or entered into after, December 31, 1992.

(f) DEPRECIATION.—The amendments made by section 4 shall apply to property placed in service after December 31, 1992, in taxable years ending after such date.

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

3890

May 27, 1993

ACTION

MEMORANDUM FOR ANTHONY LAKE

THROUGH: ROBERT G. BELL

FROM: STEVEN R. JONES

SUBJECT: Preparation for Presidential Review of Base Closure and Realignment Commission Recommendations

This memo recommends that we begin in early June to establish the process by which the President will receive and act upon the recommendations of the Base Closure and Realignment Commission.

Closing excess military facilities is critical to the President's plan to reduce defense expenditures without compromising military effectiveness.

During the last week of June, military base closure decisions will make headlines as the independent Commission votes in its public forum which bases to close. By July 1 the Commission must by law submit its recommendations to the President. He has until July 15 to decide whether to approve the recommendations and forward them to Congress, or send them back to the Commission for revision (see Tab A for the legal requirements).

The NSC should play a lead role in this process, in close consultation with the NEC and other White House offices. The NEC, as part of an "Issue Management" exercise last week, summarized many of the strategic considerations surrounding the President's base closure decision (please refer to the details of Tab B). The limitations and expectations surrounding the President's decision require our early coordination and planning.

We need to provide the President a plan for (1) receiving the Commission recommendations, (2) reviewing the recommendations and reaching a decision, and (3) transmitting that decision and explaining it publicly.

- <u>Receipt</u>: One option would be for Chairman Courter and other Commission members to brief the President and key advisers on their findings and recommendations on July 1. Another approach might be for you and Bob Rubin to receive the Commission. A third approach would be to receive the written report with no briefing.

- <u>Review</u>: Thousands of hours of analysis and site visits have gone into the Commission's final recommendations. The President cannot make individual changes to the closure list, but is required to provide the Commission reasons for rejecting the list. Any changes by the President without firm and convincing list. Any changes by the President without firm and convincing rationale could seriously jeopardize the overall base closure process. At the same time, the President needs to be confident that the process and criteria for closure have been properly followed, and that there are no negative consequences that outweigh the resultant benefits to our national security. The President should seek the Secretary of Defense's views on the changes the Commission has made to the original DoD recommendations before making his final decision. The President's planned trip to Japan during this timeframe must also be considered in the review process.

- Transmitting the Decision: The President must either forward all of the recommendations to Congress, or he has one opportunity to send them back to the Commission with his reasons for disapproval (Tab A). In addition to the formal transmittal letters, public statements must successfully communicate that the process has been comprehensive and fair, that the President properly fulfilled his role in the process, that the closures will help strengthen national security, and that this Administration is committed to helping those communities adversely affected by base closures.

To the extent that affected communities and their representatives believe that President Clinton can remove their individual base from the list of closings, the White House should expect intense pressure and lobbying on base closure during early July.

For these reasons it is important to start now to develop an overall strategy and process for the President's base closure decision. I believe it would be useful for the NSC to initiate an informal planning meeting with NEC and OMB next week. This should be followed by more detailed planning with Communications, Legislative Affairs and other appropriate offices develop final recommendations for the President.

Concurrences by: Keith Hahn, Jeremy Rosner, David Lane (NEC)

in draft   in draft

RECOMMENDATION

That after receiving your guidance, either Sandy Berger or Bob Bell meet with NEC and OMB counterparts in early June to discuss details of the President's plan for base closure review and decision.

Approve ________ Disapprove ________

Attachments

Tab A Public Law 101-510, 1990 Base Closure and Realignment Act Excerpt

Tab B NEC memo "Base Closure Commission Report"

(iii) publishes a notice of the proposed change in the Federal Register not less than 30 days before transmitting its recommendations to the President pursuant to paragraph (2); and

(iv) conducts public hearings on the proposed change.

(D) Subparagraph (C) shall apply to a change by the Commission in the Secretary's recommendations that would—

(i) add a military installation to the list of military installations recommended by the Secretary for closure;

(ii) add a military installation to the list of military installations recommended by the Secretary for realignment; or

(iii) increase the extent of a realignment of a particular military installation recommended by the Secretary.

(3) The Commission shall explain and justify in its report submitted to the President pursuant to paragraph (2) any recommendation made by the Commission that is different from the recommendations made by the Secretary pursuant to subsection (c). The Commission shall transmit a copy of such report to the congressional defense committees on the same date on which it transmits its recommendations to the President under paragraph (2).

(4) After July 1 of each year in which the Commission transmits recommendations to the President under this subsection, the Commission shall promptly provide, upon request, to any Member of Congress information used by the Commission in making its recommendations.

(5) The Comptroller General of the United States shall—

(A) assist the Commission, to the extent requested, in the Commission's review and analysis of the recommendations made by the Secretary pursuant to subsection (c); and

(B) by no later than April 15 of each year in which the Secretary makes such recommendations, transmit to the Congress and to the Commission a report containing a detailed analysis of the Secretary's recommendations and selection process.

(e) REVIEW BY THE PRESIDENT.—(1) The President shall, by no later than July 15 of each year in which the Commission makes recommendations under subsection (d), transmit to the Commission and to the Congress a report containing the President's approval or disapproval of the Commission's recommendations.

(2) If the President approves all the recommendations of the Commission, the President shall transmit a copy of such recommendations to the Congress, together with a certification of such approval.

(3) If the President disapproves the recommendations of the Commission, in whole or in part, the President shall transmit to the Commission and the Congress the reasons for that disapproval. The Commission shall then transmit to the President, by no later than August 15 of the year concerned, a revised list of recommendations for the closure and realignment of military installations.

(4) If the President approves all of the revised recommendations of the Commission transmitted to the President under paragraph (3), the President shall transmit a copy of such revised recommendations to the Congress, together with a certification of such approval.

(5) If the President does not transmit to the Congress an approval and certification described in paragraph (2) or (4) by September 1 of any year in which the Commission has transmitted recommendations to the President under this part, the process by which military installations may be selected for closure or realignment under this part with respect to that year shall be terminated.

SEC. 2904. CLOSURE AND REALIGNMENT OF MILITARY INSTALLATIONS

(a) IN GENERAL.—Subject to subsection (b), the Secretary shall—

(1) close all military installations recommended for closure by the Commission in each report transmitted to the Congress by the President pursuant to section 2903(e);

(2) realign all military installations recommended for realignment by such Commission in each such report;

(3) initiate all such closures and realignments no later than two years after the date on which the President transmits a report to the Congress pursuant to section 2903(e) containing the recommendations for such closures or realignments; and

(4) complete all such closures and realignments no later than the end of the six-year period beginning on the date on which the President transmits the report pursuant to section 2903(e) containing the recommendations for such closures or realignments.

(b) CONGRESSIONAL DISAPPROVAL.—(1) The Secretary may not carry out any closure or realignment recommended by the Commission in a report transmitted from the President pursuant to section 2903(e) if a joint resolution is enacted, in accordance with the provisions of section 2908, disapproving such recommendations of the Commission before the earlier of—

(A) the end of the 45-day period beginning on the date on which the President transmits such report; or

(B) the adjournment of Congress sine die for the session during which such report is transmitted.

(2) For purposes of paragraph (1) of this subsection and subsections (a) and (c) of section 2908, the days on which either House of Congress is not in session because of an adjournment of more than three days to a day certain shall be excluded in the computation of a period.

SEC. 2905. IMPLEMENTATION

(a) IN GENERAL.—(1) In closing or realigning any military installation under this part, the Secretary may—

(A) take such actions as may be necessary to close or realign any military installation, including the acquisition of such land, the construction of such replacement facilities, the performance of such activities, and the conduct of such advance planning and design as may be required to transfer functions from a military installation being closed or realigned to another military installation, and may use for such purpose funds in the Account or funds appropriated to the Department of Defense for use in planning and design, minor construction, or operation and maintenance;

(B) provide—

THE WHITE HOUSE

WASHINGTON

May 20, 1993

MEMORANDUM FOR MARK GEARAN
JOHN PODESTA
CHRISTINE VARNEY

FROM: DAVID LANE, NEC

SUBJECT: BASE CLOSURE COMMISSION REPORT

This memorandum describes key activities related to the base closure process, particularly the Report of the Base Closure Commission. The issue is somewhat unusual in that the President's role is passive for the time being, at least until he receives the Commission's report on July 1, and even then his options for action are limited.

Summary of Initiative

In the aftermath of the Cold War and facing attendant reductions in defense spending, the Pentagon is continuing a process of downsizing U.S. military forces. With force levels significantly reduced from their peak in the mid-80s, DoD is cutting overhead and reducing excess base capacity by consolidating or closing military facilities. Historically this has been very difficult to achieve, so in 1990 Congress enacted the Defense Base Closure and Realignment Act to put in place a process that would be as free as possible from partisan politics and that would have a strong chance of success.

This process is now governing the third round of base realignment and closure (BRAC 93), which got underway in March and will continue through the fall. On March 12 the Secretary of Defense forwarded the Department's list of recommended closures to the Base Closure Commission, whose eight commissioners were nominated by President Bush in January in consultation with Congress (President Clinton did not recommend changes to the list of nominees). Since then the Commission has been holding hearings, in Washington and around the country, to evaluate the Secretary's list before refining it and making its own recommendations to the President.

On July 1 the President will receive the Commission's recommendations and will have until July 15 to either approve the Commission's recommendations and forward them to Congress or return them to the Commission with his reasons for disapproval.

Measure of Success

Closing excess military facilities will be critical to President Clinton's plan to reduce defense expenditures significantly without compromising national security. Therefore, failure to continue the process of base consolidation and closure could undermine the President's larger agenda.

Although actual closure of facilities named this year would not occur for three to five years, conclusion of the selection process on schedule this fall would provide a basis for success. Success for the President, however, will require several things:

- final announcement of the planned closure of a significant number of unneeded military facilities
- a widespread public perception that the selection process was fair
- a public understanding that the President has acted properly
- a demonstrated Presidential commitment to assist communities seeking to reuse their closed bases and redevelop their regional economies
- significant progress toward removing impediments to rapid base redevelopment and reuse, including environmental cleanup

The first three of these success measures have to do with the President's performance of his assigned role in the process, as prescribed by law. The fourth and fifth are very much in the Administration's hands and work is underway on each:

- The President's Defense Reinvestment and Conversion Program, announced March 11, includes increased funding for reuse planning and implementation, though NEC staff are searching for additional sources of funding. In addition, an interagency working group is developing initiatives to integrate and coordinate federal programs in ways that make it easier for base communities to access assistance.

- Legislation may be required to improve the process of transferring bases to communities and cleaning them up more quickly. The Department of Defense is reviewing current regulations to determine whether legislative or administrative reforms are necessary. Either approach would be proposed by the end of the summer.

Strategic Plan

The timeline for the base closure process is imposed by the law:

June 2 Any possible additions by the Commission to DoD's list must be published in the Federal Register.

July 1	The Commission must recommend bases for closing or realignment to the President.
July 15	The President must either approve the Commission's recommendations and forward them to Congress or return them to the Commission with his reasons for disapproval.
Sept 1	Final Opportunity for the President to approve the Commission's recommendations and forward them to Congress.
October	Congress has 45 legislative days after the President's action to pass a motion of disapproval in both houses, or the Commission's recommendations become law.

The Administration should anticipate enormous pressure being placed on the President during the first two weeks in July by affected communities and their elected representatives. It will be important, therefore, to have a framework in place by that time for consulting appropriate Administration officials, reviewing the Commission's recommendations, reviewing decision options, and deciding on a course of action. An initial planning meeting to decide on such a framework should take place in the middle of June.

An important element of the planning exercise will be development of a communications strategy; research into previous approaches and results (as well as recent press coverage) should begin by the middle of June.

Level of Presidential/Vice-Presidential Involvement

It is anticipated that staff will need to meet with the President several times during the decision period, July 1-15. In addition, sufficient time should be allocated for explaining the President's decision when it is transmitted to Congress (or back to the Commission) on July 15.

Agency Lead and Coordination

The Department of Defense has already devoted an enormous amount of time and resources to evaluating potential closure candidates and measuring the potential impact of closures. The Secretary's office will necessarily play a very significant role in advising the President on the best course of action.

Within the White House, the NSC and NEC staffs work closely together and can jointly coordinate the President's role in the process. Obviously, Communications, Political Affairs, Intergovernmental Affairs, and others will need to be involved advising the President on his final decision.

Weekly Update/Forecast

The Commission has until June 2 to add closure candidates to DoD's list, and it has begun doing so. Today it placed six additional facilities on the list for evaluation, and it may add more.

Key Contacts

White House Policy	Steve Jones, NSC, 395-4970 Dorothy Robyn, NEC, 456-2654 David Lane, NEC, 456-6722
White House Communications	
White House Legislative	Alphonse Maldon, 456-6620
Department of Defense	David Berteau, (703) 695-9978 Steve Kleiman, (703) 695-1635 Rudy de Leon

3634

NATIONAL SECURITY COUNCIL
WASHINGTON. D.C. 20506

May 27, 1993

ACTION

MEMORANDUM FOR ANTHONY LAKE

THROUGH: ROBERT G. BELL

FROM: STEVEN R. JONES

SUBJECT: Letter to the President from Representative Klink RE: Babcock and Wilcox Special Metals as Model for Defense Conversion Plan

Representative Ron Klink (D-PA) has written the President asking for his assistance in developing a defense conversion plan for Babcock and Wilcox (B&W) Specialty Metals in Koppel, PA.

Rep Klink states that B&W Specialty Metals is the only U.S. source of nuclear grade tubing, and that reductions in the naval reactors program, coupled with the difficulty of conversion, threatens the loss of this critical defense industry component. He further states that this could result in reliance on foreign sources for this critical production capability.

DoD industrial base analysts are well aware of the Babcock and Wilcox nuclear reactor production issues. DoD analyses based upon site visits to tubing manufacturers confirm that B&W Specialty Metals is the only currently qualified source of nuclear grade tubing. There are, however, at least two other tubing manufacturers that could be qualified within two years if required.

Babcock and Wilcox representatives have met with NSC and NEC staff regarding defense conversion issues. The fact that B&W has determined that the current Defense Reinvestment and Conversion Program does not meet their unique needs requires further review. I am, along with NEC staff, currently meeting with officials at DoD and Commerce to discuss emerging defense technology and industrial base issues. We plan to investigate these issues, including those raised by Rep. Klink, within our interagency working group dealing with defense reinvestment and conversion.

Concurrences by: Jeremy Rosner, Keith Hahn, Dorothy Robyn (NEC), David Lane (NEC)

in draft

in draft

RECOMMENDATION

That you send a joint memo with Bob Rubin and Howard Paster to the President recommending his signature at Tab A.

Attachments
Tab I Memorandum to the President
Tab A Letter to Representative Klink
Tab B Incoming Correspondence

THE WHITE HOUSE

WASHINGTON

ACTION

MEMORANDUM FOR THE PRESIDENT

FROM: ANTHONY LAKE
HOWARD PASTER
ROBERT RUBIN

SUBJECT: Letter from Representative Klink RE: Babcock and Wilcox Special Metals as Model for Defense Conversion Plan

Purpose

To respond to Representative Klink's request that we develop a "defense conversion pilot project" to ensure that Babcock and Wilcox Specialty Metals in Koppel, PA retain critical defense production capabilities.

Background

While Babcock and Wilcox Specialty Metals is currently the only qualified supplier of defense nuclear grade tubing, DoD industrial base analysts report that other sources could be qualified if required. NSC and NEC staff have met with Babcock and Wilcox representatives, and are investigating how the Defense Reinvestment and Conversion program can better meet special needs such as those raised by Representative Klink. The proposed response thanks Representative Klink for his suggestion and assures him we will consider it in our ongoing interagency discussions regarding defense conversion.

RECOMMENDATION

That you sign the letter at Tab A.

Attachments
Tab A Letter to Representative Klink
Tab B Incoming Correspondence

cc: Vice President
Chief of Staff

THE WHITE HOUSE

WASHINGTON

Dear Ron:

Thank you for your letter concerning Babcock and Wilcox, their critical defense manufacturing skills and proposed defense conversion projects.

As you know, defense reinvestment and conversion is one of my highest priorities. My Administration is working hard to develop new ways to ease the defense transition and stimulate long-term economic growth, while maintaining a strong defense industrial base.

I have forwarded your idea of a "defense conversion pilot project" to address special industrial base issues to the National Security Council for consideration. An interagency group on defense conversion led by the National Economic Council also is examining how our defense conversion efforts can help meet special industrial base needs.

I can assure you that we will give your views on this matter very careful consideration.

Sincerely,

The Honorable Ron Klink
House of Representatives
Washington, D.C. 20515

018777 363

COMMITTEES:
BANKING, FINANCE, AND URBAN AFFAIRS
SUBCOMMITTEE ON ECONOMIC GROWTH AND CREDIT FORMATION
EDUCATION AND LABOR
SUBCOMMITTEE ON LABOR-MANAGEMENT RELATIONS
SUBCOMMITTEE ON POST-SECONDARY EDUCATION AND TRAINING
SMALL BUSINESS
SBA LEGISLATION AND THE GENERAL ECONOMY
PROCUREMENT, TAXATION AND TOURISM
DEMOCRATIC STEERING AND POLICY COMMITTEE

Ron Klink
Congress of the United States
House of Representatives
4th District, Pennsylvania

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CRANBERRY TOWNSHIP
(412) 772-6080
NEW CASTLE
(412) 654-9036
LOWER BURRELL
(412) 335-4518

93 MAY 18 P2:30

May 17, 1993

The President
The White House
1600 Pennsylvania Avenue
Washington, DC 20500

Dear Mr. President:

I am writing to introduce you to a facility in Pennsylvania that could be a model for your defense conversion plan. This plant has the potential to demonstrate how to create a defense-civilian industrial base that will help ensure national security and make the U.S. more competitive in international markets.

Babcock & Wilcox - Special Metals, in the Fourth Congressional District, offers the unique opportunity to establish the potential of defense conversion for a crucial portion of the nuclear shipbuilding industrial base. B&W's Koppel plant has been the dominant supplier of steam generator tubing to the U.S. Navy since the inception of the naval nuclear program.

In fact, the Special Metals plant is the only U.S. source of nuclear grade tubing today. I have been informed that a soon-to-be released study of the nuclear shipbuilding industrial base will identify this facility as essential and unique to the Department of Defense.

Today, the facility employs 140 skilled laborers. Future reductions in the naval reactors (NR) program could force facility closure, resulting in both the loss of many critical personnel in a Federal Labor Surplus area and complete U.S. reliance on foreign sources for this specialized tubing.

In addition, B&W as a whole serves as the sole source supplier of all naval nuclear reactor systems, both heavy steam components and fuel. This highly specific, unique industry rests in an unusual position as it seeks opportunities for conversion. With no alternative commercial market and very limited resources to develop new businesses, the company faces considerable obstacles to conversion, and the nation faces the difficult choice between maintaining or losing the ability to power any nuclear ships in the future.

I have met with Neal Hooker, Senior Vice President of B&W's Government Group, whom I believe you know through the B&W-ST Company in Little Rock. He has presented a proposal to me to convert the Special Metals facility to commercial activities while maintaining the NR capability.

However, after reviewing B&W's overall strategy, we have determined that the current legislative provisions (including those administered through the Advanced Research Projects Agency within the Department of Defense) do not address the unique problems facing the NR industrial base. I am convinced that B&W is committed to answering your call to defense conversion, but will need the Administration to act as a catalyst in order to be successful.

Last year, we worked together to promote a policy of change for America. I remain as committed to this effort as you do and feel that the B&W proposal offers your Administration a valuable opportunity to successfully exhibit one of the key components of your plan.

Defense conversion has the potential to have a significant impact on the U.S. economy. As you know, B&W would be an excellent and enthusiastic candidate to fulfill that potential. At the same time, the country would maintain an essential component of the nuclear shipbuilding industrial base. Therefore I would propose a "Defense Conversion Pilot Project" sponsored by your administration to demonstrate the degree of success possible for conversion.

I appreciate your time and consideration of this important issue. I look forward to your response on these ideas and your leadership in the months ahead.

Sincerely,

RON KLINK
Member of Congress

RK/pfm

THE WHITE HOUSE

WASHINGTON

May 19, 1993

MEMORANDUM FOR WILLIAM ITOH
NSC Executive Secretariat

FROM: HOWARD G. PASTER HP

SUBJECT: Presidential Correspondence

Attached are copies of letters sent to the President from various members of Congress.

Since these letters address national security issues, we would appreciate your assistance in having drafts written.

Thank you very much for your assistance. If you have any questions, please feel free to call LeeAnn Inadomi at x7500.

The following is a brief description of the letters:

1) Carol Moseley-Braun (D-IL), concerning meeting with President Babangida of Nigeria;

2) Dianne Feinstein (D-CA), concerning G-7 meeting in Tokyo;

3) Ron Klink (D-PA), concerning defense conversion.

Attachments

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ID# 018797

THE WHITE HOUSE
CORRESPONDENCE TRACKING WORKSHEET

INCOMING

DATE RECEIVED: MAY 18, 1993

NAME OF CORRESPONDENT: THE HONORABLE RON KLINK

SUBJECT: REQUESTS THE PRESIDENT CONSIDER BABCOCK AND WILCOX SPECIAL METALS AS A MODEL FOR THE DEFENSE CONVERSION PLAN

ROUTE TO: OFFICE/AGENCY (STAFF NAME)	ACTION ACT CODE	ACTION DATE YY/MM/DD	DISPOSITION TYPE RESP	DISPOSITION C D	DISPOSITION COMPLETED YY/MM/DD
HOWARD PASTER	ORG	93/05/18			__/__/__
REFERRAL NOTE:					
		__/__/__			__/__/__
REFERRAL NOTE:					
		__/__/__			__/__/__
REFERRAL NOTE:					
		__/__/__			__/__/__
REFERRAL NOTE:					
		__/__/__			__/__/__
REFERRAL NOTE:					

COMMENTS:

ADDITIONAL CORRESPONDENTS: MEDIA:L INDIVIDUAL CODES: 1230

__ MAIL USER CODES: (A)D PA (B)__________ (C)__________

ACTION CODES:	DISPOSITION	OUTGOING CORRESPONDENCE:
A-APPROPRIATE ACTION	A-ANSWERED	TYPE RESP=INITIALS OF SIGNER CODE = A
C-COMMENT/RECOM	B-NON-SPEC-REFERRAL	COMPLETED = DATE OF OUTGOING
D-DRAFT RESPONSE	C-COMPLETED	
F-FURNISH FACT SHEET	S-SUSPENDED	
I-INFO COPY/NO ACT NEC		
R-DIRECT REPLY W/COPY		
S-FOR-SIGNATURE		
X-INTERIM REPLY		

REFER QUESTIONS AND ROUTING UPDATES TO CENTRAL REFERENCE (ROOM 75,OEOB) EXT-2590
KEEP THIS WORKSHEET ATTACHED TO THE ORIGINAL INCOMING LETTER AT ALL TIMES AND SEND COMPLETED RECORD TO RECORDS MANAGEMENT.

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

May 28, 1993

ACTION

MEMORANDUM FOR WILLIAM H. ITOH

THROUGH: ROBERT BELL SA for

FROM: STEVEN ANDREASEN SA

SUBJECT: ACDA Qs and As on ABM, START I, and START II Treaties

We have reviewed and recommend that NSC concur with the attached Qs and As on the ABM, START I, and START II Treaties, with the exception of the revisions as follows:

Answer #3:

Delete: last sentence, 2nd paragraph.

RECOMMENDATION

That you sign the memo at Tab I.

Attachment
Tab I Itoh Memo to Peterson
Tab II Incoming Correspondence

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

MEMORANDUM FOR RONALD K. PETERSON

FROM: WILLIAM H. ITOH

SUBJECT: ACDA Qs and As on ABM, START I, and START II Treaties

The National Security Council Staff has reviewed and concurs in the above subject ACDA Qs and As with the exception of revisions as follows:

Answer #3:

Delete last sentence, 2nd paragraph.

Withdrawal/Redaction Marker
Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
002. memo	Legislative Referral Memorandum M-336. [CIA Act] [partial] (1 page)	05/27/1993	P3/b(3)

COLLECTION:

Clinton Presidential Records
National Security Council
Defense Policy and Arms Control (Robert Bell)
OA/Box Number: 45

FOLDER TITLE:

Chron File - May 1993 #3 [6]

2016-0152-F
vz4407

RESTRICTION CODES

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

P1 National Security Classified Information [(a)(1) of the PRA]
P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
P3 Release would violate a Federal statute [(a)(3) of the PRA]
P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
P5 Release would disclose confidential advice between the President and his advisors, or between such advisors [a)(5) of the PRA]
P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.
PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).
RR. Document will be reviewed upon request.

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 concerning wells [(b)(9) of the FOIA]

3839
URGENT

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

May 27, 1993

LEGISLATIVE REFERRAL MEMORANDUM

LRM #M-336

[002]

TO: Legislative Liaison Officer -

CIA - (b)(3)
COMMERCE - Michael A. Levitt - (202)482-3086 - 324
DEFENSE - Samuel T. Brick, Jr. - (703)697-1305 - 325
ENERGY - Bob Rabben - (202)586-6718 - 209
JUSTICE - Faith Burton - (202)514-2141 - 217
NSC - William H. Itoh - (202)395-3723 - 249
OSTP - Damar Hawkins - (202)456-6272 - 288
STATE - Bill Keppler - (202)647-2137 - 225

FROM: RONALD K. PETERSON (for) Ronald K. Peterson
Assistant Director for Legislative Reference

OMB CONTACT: MIKE GOAD (395-7301)
Secretary's line (for simple responses): 395-6194

SUBJECT: ACDA Qs and As on ABM, START I, and START III Treaties

DEADLINE: 3:00 P.M., Friday, May 28, 1993

COMMENTS: For your information, we have attached the letter from Sen. Conrad (with enclosure) to which ACDA is responding.

OMB requests the views of your agency on the above subject before advising on its relationship to the program of the President, in accordance with OMB Circular A-19.

Please advise us if this item will affect direct spending or receipts for purposes of the the "Pay-As-You-Go" provisions of Title XIII of the Omnibus Budget Reconciliation Act of 1990.

CC:
J. Ashford
S. Dotson
J. Nix
K. MacIntyre
V. Foster

8p9

RESPONS TO L GISLATIVE REFERRAL MEMORANDUM

If your response to this request for views is simple (e.g., concur/no comment) we prefer that you respond by faxing us this response sheet. If the response is simple and you prefer to call, please call the branch-wide line shown below (NOT the analyst's line) to leave a message with a secretary.

You may also respond by (1) calling the analyst/attorney's direct line (you will be connected to voice mail if the analyst does not answer); (2) sending us a memo or letter; or (3) if you are an OASIS user in the Executive Office of the President, sending an E-mail message. Please include the LRM number shown above, and the subject shown below.

TO: MIKE GOAD (395-7301)
Office of Management and Budget
Fax Number: (202) 395-5691
Analyst/Attorney's Direct Number: (202) 395-7301
Branch-Wide Line (to reach secretary): (202) 395-6194

FROM: ______________________________ (Date)

______________________________ (Name)

______________________________ (Agency)

______________________________ (Telephone)

SUBJECT: ACDA Qs and As on ABM, START I, and START III Treaties

The following is the response of our agency to your request for views on the above-captioned subject:

________ Concur

________ No objection

________ No comment

________ See proposed edits on pages ____________

________ Other: ______________________________

________ FAX RETURN of _____ pages, attached to this response sheet

Issue: (1) Does the U.S. have the right under the ABM Treaty to maintain an ABM system at Nekoma, North Dakota if the missile field at Grand Forks is closed?

(2) Could the U.S. legally pursue an ABM system at an alternative site?

(3) Is it viable for the U.S. to maintain empty ICBM silos under a START II regime?

(1) The answer depends on several factors. If the missile field was "open" for the purposes of the ABM Treaty, the START I Treaty, and the START II Treaty, then the U.S. would retain the right under the ABM Treaty to maintain an ABM system at Nekoma. A more thorough study of the negotiating record in light of any actual plans to "close" the missile field would be required to determine whether the missile field would be considered "closed" for ABM Treaty purposes if it were "closed" for U.S. domestic purposes. Such an analysis would be required to take into account the Treaty's object and purpose with respect, in particular, to the terms of Articles I and III of the Treaty. However, the existence of ICBM silo launchers within the ABM system deployment area is a sine qua non for the right to deploy the ABM system puruant to Article III. Furthermore, even if the base was "closed" for all other purposes, the ABM system could be maintained provided explicit agreement were reached to that end pursuant to the Treaty itself.

Article III of the ABM Treaty states that each Party undertakes not to deploy ABM systems or their components except: (a) within one ABM system deployment area having a radius of 150 kms and centered on the party's national capital and (b) within one ABM system deployment area having a radius of 150 kms and containing ICBM silo launchers. The 1974 Protocol to the ABM Treaty limited this right to only one site; the USSR chose the former, the U.S. chose the latter. The Grand Forks Missile Complex, which contains 150 Minuteman III ICBM silo launchers, is within the U.S. ABM system deployment area, i.e., within 150 kms of the ABM system.

The preconditions for a permitted ABM system deployment area containing ICBM silo launchers are clear: the ABM system deployment area cannot be larger than 150 kms in radius and there must be ICBM silo launchers within that area. Therefore, it is not accurate to state that the ABM system can be disassociated from the ICBM launchers; otherwise, the limitation of 150 km radius for the deployment area becomes meaningless.

(2) The answer is yes in that Article II of the 1974 Protocol permits each of the Parties to shift its single ABM system from ICBM defense to defense of the national capital or vice versa. If this is done, the Party must dismantle or destroy its ABM system where presently deployed and deploy an ABM system in the alternative area, i.e., the national capital for the U.S. Notification of the new site must be provided in the SCC, in accordance with procedures. This right may be exercised only once.

In addition, it is arguable that the United States would alternatively be able to change the identification of the missile field, and thus move the single permitted ABM deployment area to another ICBM area, by providing notification in the SCC, as a modification of its unilateral statement of May 26, 1972 wherein the U.S. specified that "its ABM system deployment area for defense of ICBM silo launchers . . . will be centered in the Grand Forks ICBM silo launcher deployment area." This however, could have implications for the 1974 Protocol to the ABM Treaty and therefore would require discussion in the SCC in order to arrange for such an ICBM-silo-launcher-field to ICBM-silo-launcher-field change. There is evidence that, given the dramatic changes of the last few years, the Parties to the Treaty could work out such arrangements. The requirement to destroy the ABM system in North Dakota in accordance with the agreed procedures, of course, would remain.

(3) The answer is yes. According to the Memorandum of Understanding to the START I Treaty, the Grand Forks Missile Complex contains 150 Minuteman III silo launchers. MM-III launchers are considered to contain MM-III missiles, which are attributed with three warheads. The U.S. could elect to download the MM-III to one warhead for purposes of the START II Treaty without destroying the reentry vehicle platform. In such an event, the numbers would be different under START I and START II.

If the U.S. did not eliminate several silo launchers in accordance with START procedures, the missiles and warheads accountable to such launchers would be counted towards the START I and START II limits. However, the numbers would not be difficult for the U.S. to meet.

// Delete this last sentence.

KENT CONRAD
NORTH DAKOTA
202-224-2043

COMMITTEES

United States Senate

WASHINGTON, DC 20510-3403

May 26, 1993

Tom Graham
Acting Director
Arms Control and Disarmament Agency
320 21st St. NW
Washington, D.C. 20451

Dear Director Graham:

On behalf of the North Dakota Congressional Delegation, I am requesting your opinion on how the 1972 Anti-Ballistic Missile (ABM) Treaty and the START I and II Treaties might affect the Minuteman III missile field at Grand Forks Air Force Base, North Dakota.

Attached is a letter from the United States Space Command to the Defense Base Realignment and Closure Commission addressing the question: "does the U.S. designated ABM Treaty site preclude the consideration of Grand Forks AFB and its ICBM missile field for closure, both in 1993 and 1995?" The letter states that there is no strict obligation under the ABM Treaty to defend a specific missile site.

This interpretation is surprising to us, and it is our understanding that the ABM Treaty in fact does impose a very strict requirement that the ABM site be located within 150 kilometers of a missile field. The U.S. designated the missile field at Grand Forks to meet this requirement.

We are interested in your interpretation of the ABM Treaty on this issue. In particular, could the U.S. maintain an ABM system at Nekoma, North Dakota (the current location) if the missile field at Grand Forks is closed? Similarly, could the U.S. legally pursue an ABM system at an alternative site?

It has also been suggested that the U.S. could simply inactivate the Grand Forks field and still keep the ABM site viable. However, the START I and II Treaties will count every ICBM launcher, regardless of whether it is active or not. These treaties place limits on U.S. ICBM launchers and establish very detailed verification and launcher destruction requirements. Is it viable for the U.S. to maintain empty ICBM silos under a START II regime?

Because this issue has a bearing on the Base Closure Commission's ongoing deliberations, we would appreciate an answer to our questions by Friday, May 28. Please do not hesitate to contact me or Craig May of my staff if we can assist you. Thank you for your consideration.

Sincerely,

Kent Conrad
U.S. Senator

Enclosure

UNITED STATES SPACE COMMAND

Please refer to this number
when responding 930420-7

13 April 1993

FROM: USCINCSPACE
250 S Peterson Blvd, Ste 116
Peterson AFB CO 80914-3010

SUBJ: Grand Forks Air Force Base Closure/Anti-Ballistic Missile (ABM) Treaty
(Your Letter of March 31, 1993, Number 930331-6)

TO: Honorable Jim Courter
Chairman, Base Defense Closure and Realignment Commission
Arlington VA 22209

1. The following comments are provided to the question from your letter, "In your
opinion, does the U.S. designated ABM Treaty site preclude the consideration of
Grand Forks AFB and its ICBM missile field for closure, both in 1993 and 1995?"

2. The Grand Forks ICBM silo launcher deployment area is unique in that the ABM
Treaty specifically identifies it as the center point for the United States' designated
ABM deployment area. This seems straightforward; however, interpretation of the
intent of the treaty leads us to a gray area. A Joint Staff interpretation of the
association between missile field and ABM site is "there is no strict obligation to
defend a missile site; it is to limit both sides to a single deployment area." This
interpretation dis-associates the missile field from the ABM site, having direct
implications on retaining our ABM site at Cavalier which supports National Missile
Defense. Again, this is only one interpretation.

3. The ABM Treaty implications on the closure of Grand Forks, if any, require a U.S.
Government position staffed in the DoD and State Department channels. My staff
has provided a copy of your letter to the Joint Staff and the Air Staff. I have asked
them to assist in getting a definitive reading and to reply to your question directly. If
I can be of further assistance, please contact me at your convenience.

Chuck A Horner

CHARLES A. HORNER
General, USAF
Commander in Chief

20585

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

May 28, 1993

ACTION

MEMORANDUM FOR WILLIAM H. ITOH

THROUGH: SEAN DARRAGH

FROM: ROBERT BELL

SUBJECT: NSC Staff Travel

Request travel orders be provided for Anne Witkowsky as the NSC representative on the U.S. Delegation to the CSCE Seminar on Peacekeeping in Vienna, Austria, June 7-9, 1993.

NSC is requested to cover the expenses of the trip. Per diem is estimated at $165 per day; air fare is estimated to be approximately $918 round trip.

RECOMMENDATION

That you approve the attached travel request (Tab I) and sign the memo to State at Tab II.

Approve ________ Disapprove ________

Attachments
Tab I Travel Authorization Form
Tab II Itoh Memo to State

DATE 5/28/93

NSC STAFF TRAVEL AUTHORIZATION

1. **TRAVELER'S NAME:** Anne Witkowsky

2. **PURPOSE/EVENT (Include Dates):** To attend the CSCE Seminar on Peacekeeping as NSC rep in Vienna, Austria, June 7-9, 1993.

3. **ITINERARY (Please Attach Copy of Proposed Itinerary):** Wash, DC to Vienna, Austria, and return to Washington, DC

4. **DEPARTURE DATE** 6/5/93 **RETURN DATE** 6/10/93
DEPARTURE TIME TBD **RETURN TIME** TBD

5. **MODE OF TRANSPORTATION:**

GOVT. AIR ______ **COMMERCIAL AIR** X **POV** ______ **RAIL** ______
OTHER ______

6. **ESTIMATED EXPENSES:**

TRANSPORTATION $918 **PER DIEM** 165/day **OTHER** ______
TOTAL ______

7. **WHO PAYS EXPENSES: NSC** X **OTHER** ______

IF NOT NSC, DESCRIBE SOURCE AND ARRANGEMENTS: ______

8. **WILL FAMILY MEMBER ACCOMPANY YOU: YES** ______ **NO** X

IF SO, WHO PAYS FOR FAMILY MEMBER (If Travel Not Paid By Traveler, Describe Source & Arrangements): ______

9. **TRAVEL ADVANCE REQUESTED: $** YES

10. **REMARKS (Use This Space to Indicate Any Additional Items You Would Like to Appear on Your Travel Orders):** ______

11. **TRAVELER'S SIGNATURE:** Anne S Witkowsky

12. **APPROVALS: Senior Director** Robert G. Bell

Director of Administration ______

Executive Secretary ______

20585

NATIONAL SECURITY COUNCIL

WASHINGTON, D.C. 20506

MEMORANDUM FOR MR. MARC GROSSMAN
Executive Secretary
Department of State

SUBJECT: NSC Staff Foreign Travel

NSC Staff Member: Anne Witkowsky
Director of Defense Policy and Arms Control

Purpose of Travel: To represent NSC on the U.S. Delegation to the CSCE Seminar on Peacekeeping in Vienna, Austria, June 7-9, 1993.

Itinerary:

Date	City	Country	Major Event/Meeting
June 7-9	Vienna	Austria	CSCE Seminar on Peacekeeping

William H. Itoh
Executive Secretary

NATIONAL SECURITY COUNCIL

5-28-93

FOR BOB BELL
KEITH HAHN

Attached is the latest draft. Comments?

Thanks.

JEREMY ROSNER

5/28
Comments phoned in to Jeremy
Bob

REMARKS OF PRESIDENT WILLIAM J. CLINTON
UNITED STATES MILITARY ACADEMY COMMENCEMENT
May 29, 1993

General Sullivan; General Graves; ladies and gentlemen of the Corps of Cadets; honored families and guests:

It is a great privilege to join you on this afternoon of accomplishment and celebration. To the class of 1993, let me extend my heartfelt congratulations. You have worked hard and earned well all the honors we bestow on you today.

To parents and relatives, let me assure you that you're not dreaming -- they really made it; and you should take pride not only in their graduation, but also in the strong values you helped instill that carried them to this place and this day.

To the Academy's faculty and staff: let me offer my gratitude for your dedication as this historic institution graduates its fifty-thousandth cadet. It is said here at West Point that much of the history you teach was made by the people you taught. That's true, and it's to your credit. The work you and your predecessors have carried forward since 1802 is truly that of nation building, and today your nation thanks you once again.

For the Class of '93, today marks the completion of an arduous process. You endured Beast Barracks. You passed countless PT tests. You toppled many of the school's academic and athletic records -- and, so I'm told, at least one of its trees.

You have met the highest standards of discipline -- at least I hope you have. I'm reminded that one of your greatest graduates and one of my predecessors as Commander in Chief, Dwight Eisenhower, was "slugged" as a cadet for such offenses as [quote] "apparently making no reasonable effort to have his room properly cleaned at a.m. inspection" and being "late for breakfast."

In the unlikely event there have been any breaches of discipline among you, let me announce that today I am exercising my prerogative as Commander in Chief to grant amnesty to the Corps of Cadets. You can count that as the first part of the class gift from West Point's Class of '93.

Over two centuries ago at this bend in the Hudson, America's first defenders stretched a chain across the river to prevent British ships from dividing and conquering our new nation. Today we add one-thousand-and-three new links to an unbroken chain of America's best defenders -- one-thousand-and-three new and solid segments in the Long Gray Line. That Line stretches back 191 years, through your ranks, and as far into the future as there will be a United States of America. The Long Gray Line has never failed us. It never will.

Like the great chain itself, you have emerged from the forge, tested and tempered, composed of a stronger metal. Forty-eight months ago you came here as young adults. When you walk out of this stadium today you will be officers of the United States armed forces.

I admire your commitment to public service. There are many ways to serve one's nation. As you well know, West Point's graduates have served America not only by leading their troops, but also by exploring frontiers, building railroads, painting masterpieces, founding universities, running corporations, serving in Congress and the White House, and walking on the moon.

Yet no service is more important or admirable than your decision to put on the uniform of this great nation and to go where America calls you in defense of freedom. It says you are ready to sacrifice for a greater good. You have already sacrificed -- by rolling out of bed earlier and working harder than most students ever do. And you know other sacrifices may come. You may be called away from family at a moment's notice. You may be summoned to face great danger. For your service and sacrifices, past and future, you have the appreciation of all Americans.

You have stepped forward not only to serve but to lead. For West Point is where America grows leaders. And whenever the nation has called, the Corps has led the way. You led at Chancellorsville and Gettysburg; at Belleau Woods, Luzon and Normandy; at Inchon and Pork Chop Hill; in the Delta and Danang; in Panama, Desert Storm, and Somalia. The 172 battle streamers on the Army flag commemorate the great skill and quiet courage of those who have gone before you. Marked and unmarked graves around the world testify to the Corps' selfless devotion to country.

Your steadfast commitment to Duty-Honor-Country is our national strength. My commitment, and that of the Congress and the American people, is to stand by you. That means before we ask you to put your life and the lives of those whom you command in harm's way, it is our responsibility to take your advice into account, to give you the tools you need, and then to give you our complete support. I pledge to you that we will.

You are pinning on your gold bars at a time of great change and challenge. Just consider the global transformations during your four years here. When you entered West Point on June 28, 1989, our greatest adversary was the Soviet Union. Today that country no longer exists. On your first day of class, American soldiers at the Fulda Gap manned the front lines between East and West. Today, that post stands in the middle of a unified Germany.

The end of the Cold War is cause for celebration. But it does not mean we have seen the last of danger. Saddam Hussein proved that. The tragic violence in Bosnia reminds us every day.

On this Memorial Day weekend, we may pray we have sent America's sons and daughters to war for the last time. Yet history suggests that during your years of service we will again need to call on America's weapons and warriors to defend our nation's interests.

The changes of recent years allow us to be hopeful. Common sense tells us to be prepared.

One way we must be prepared is by ensuring our forces have what they need to get the job done. Despite the historic changes now occurring in our world and in our forces, I assure you there will continue to be a national need and a vital role for leaders of character in our military. You may be called upon in new ways. Your most fundamental mission will remain, as General MacArthur said, to win our wars. In this era, you may also be asked to help keep the peace, or to relieve suffering, or to help teach officers from new democracies in the ways of a democratic army.

But whatever the challenge, I know you will accomplish your mission. And whatever the challenge, I promise you this: as long as I am President, America's men and women in uniform will continue to be the best trained, best prepared, best equipped, and best supported fighting force on the face of the earth.

A second way we must stay prepared is by understanding the threats of this new era. We cannot predict the future. We have no scouts on that front to tell us precisely when the next challenge will come or what form it will take. Yet we do know that the threats we face are fundamentally different than those of the past four decades.

The end of the bi-polar, superpower standoff leaves us with threats that are not so much new as they are unfamiliar. Consider what we witness around the world: ethnic and religious conflict; the violent turmoil of dissolving or newly created states; the random violence of the assassin and the terrorist. These are forces that plagued the world in earlier days of this

Century. As we scan today's bloodiest conflicts, from the former Yugoslavia to Armenia to Sudan, the dynamics of Cold War have been replaced by the dynamics of Old War.

Particularly troubling is the proliferation around the globe of weapons of mass destruction and the means for their delivery. Today ambitious and violent regimes in Iran, Iraq, Libya, North Korea and elsewhere seek to acquire arsenals of nuclear, chemical and biological weapons. The global arms bazaar has rarely been busier, nor the weapons deadlier. As we discovered in Iraq, surging sales of ballistic missiles and other advanced conventional arms have enabled outlaw nations to extend the threat of mass destruction far beyond their own borders.

In the coming weeks, we will announce a range of initiatives to combat the proliferation of these weapons. We will take new steps to reduce the world's fissile materials and to confront the growing danger of nuclear terrorism. We will move to complete negotiation of a phased comprehensive test ban treaty, which can help increase our political leverage abroad in efforts to combat proliferation. We will begin efforts to strengthen our export control laws, so that we can keep sophisticated technologies out of the wrong hands and cut red tape for legitimate American exporters. And we will make further changes in how we organize the government's arms control offices, to reflect the new priority we place on non-proliferation.

For if we must contemplate the possibility of sending America's men and women into harm's way in the years ahead, then we owe it to them -- we owe it to you -- to do our best to prevent the proliferation of weapons that could multiply the dangers and casualties of any conflict.

Ultimately, preparedness lies in strength, and if our nation is to be strong abroad it must also be strong at home. Dwight Eisenhower once noted: "A strong economy is the physical basis of all our military power." Our economic power is the ultimate basis of our global leadership in all its other forms as well.

One of the most potent weapons behind our victory abroad in World War II was our industrial might at home. What ultimately enabled us to prevail in the Cold War was the simple fact that our free political and economic institutions produced more prosperity and human fulfillment than did the crimped institutions of communism. In the same way, our global leadership in this new era will depend on our ability to create jobs, growth, and opportunity.

Just as we face new threats abroad, so we face new economic threats at home. In particular, today we confront a troubling new phenomenon -- economic growth without job creation. We must absolutely refuse to accept that pattern as a natural part of our new economy. For economic growth without jobs is as useless as guns without bullets. And just as our security cannot rest upon a hollow Army, neither can it rest upon a hollow economy.

The greatest battle our nation faces today is the battle to build an economy that produces both growth and jobs. That fundamental goal lies at the core of the kind of America you have sworn to defend. It is exactly what my economic plan is designed to restore. I have been fighting for that goal since my first day in office. And I am very pleased the House of Representatives voted this week to pass my plan for America's economic revival. [When the House came through for me at the eleventh hour, I understood how West Point must feel about Pat Malcolm.]

Now it is the Senate's turn. And today I call on the members of the United States Senate to accept the same trust ~~this~~ the members of this graduating Class have already sworn to uphold: Duty -- to accept their Duty to restore America's strength; Honor -- to honor future generations by cutting our deficit; and Country -- to rebuild the strength of the country we love.

* * *

Whatever the challenges our nation faces in the years ahead, I approach them with greater confidence knowing that America can call upon your skills, your dedication, and your leadership.

My charge to you as you progress through your career is this: always keep in mind that someday you may be sitting in the Situation Room of the White House with the President and Secretary of Defense, and at that moment you must be prepared to give them your best advice. You should begin to prepare for that throughout your military career -- by study, by listening, and by experience. You must also remember that you represent the American people. It will be your understanding of our nation's values, enriched by what you learned here, leavened by your experiences to come, and bound by your commitment to Duty-Honor-

Country, which will permit you to make the greatest contribution at the moment of decision and the split second of action.

For now it is your turn to lead -- to tread in the footsteps of those who have walked the Plain before you.

As you do, you might reflect on that old tree that stood in the Superintendent's yard -- the tree that fell at the start of your time here at West Point. For a tree, like a nation, can live and stand only so long as it continually renews its strength. During your time here, other nations in our world did fall. Some rotted from the inside out. Some were uprooted. Others splintered apart violently when the winds of change proved too strong.

Over the past four years your nation has invested heavily in you to help ensure that we never meet the same fate. For this tree must never fall. With your commissioning today, our roots reach deeper, our protective bark is stronger, our branches reach higher, and our nation's future stands more secure. Good luck, God bless you, and God bless America.